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ISSUES IN AMERICAN INDUSTRIAL RELATIONS

IN 1929 even sympathetic students of organized labor were explaining and deploring the decline, and perhaps the impending extinction, of American trade unionism. Employers were congratulating themselves on the prevailing state of coöperation between men and management. The largest companies of the country, outside of the railroad business, were unorganized and believed themselves to be on friendly terms with their employees. Strikes and lockouts had all but ceased and such as there were broke out mainly in the allegedly sweated and chronically troubled industries of clothing, textiles and soft coal mining. Between 1923 and 1929 the labor problem in the United States, regarded in terms of the subsidence of conflict, appeared to be on the road to peaceful solution.

During the years of the depression, the quiet in industrial relations continued. In the face of falling wage rates and earnings and general unemployment, the already meager membership of unions declined still further. Workingmen dropped out of unions either through apathy or inability to pay dues. Trade-union agreements lapsed, or were violated, and industrial relations remained surprisingly free of the labor disturbances associated with earlier severe depressions in this country. Organizers representing both the orthodox trade unions and the communist organizations, created to take advantage of the anticipated opportunities for unionization afforded by the depression, returned to their headquarters disappointed and discouraged by the results of their proselytizing efforts.

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Since the middle of 1933 all this has changed. The unions have gained probably as many as, if not more than, 1,500,000 members. They have penetrated, for the time being at least, some of the leading strongholds of non-union industry. The law relating to trade unions has been radically revised and extended. A far-flung administrative and judicial machinery has been set up to supervise and regulate the practices of industrial relations. The federal government has in a variety of ways sanctioned policies calculated to spread organization and to promote collective bargaining. The labor movement has been split into two large and powerful factions competing for membership and prestige. The United States Supreme Court in a series of recent decisions, involving the application of the National Labor Relations Act, has substantially broadened the power of Congress to regulate labor relations, particularly in manufacturing industry.

These changes were not accomplished amicably through the procedure of conciliation and negotiation. General strikes in such large cities as San Francisco and Toledo paralyzed the economic life of whole communities. The sit-down strike spread in the later stages of this period through the country, shut down hundreds of factories and ended in many cases in armed conflict between the police and the strikers. The new labor law was received by employers with open hostility; the findings and decisions of the National Labor Relations Board and its predecessors were generally defied; and the Board and its agents tied up in litigation. Now that the Supreme Court has spoken, official and private observers are disposed to view the future with more hope and to envision a peaceful revolution in the relations of employers and labor, marked by greater equality in bargaining power, standardization of working conditions, and the substitution of the orderly procedure of collective bargaining for costly industrial warfare.

How far these hopes can and will be realized in the immediate future depends on the action of some of the forces responsible for these formidable developments since 1933, and the intelligent resolution of difficult issues of policy and administration peculiar to the present situation.

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I

Although public policy and legislation have played a considerable rôle in the current revival of trade unionism, some, and probably a substantial, part of the recovery in union membership has resulted from the improvement in business and employment. Even before the N.R.A. there were signs of the awakening of unions in 1932 in the clothing, leather, shoe and coal-mining industries, where workingmen went on strike and joined unions in response to organization campaigns and in protest against the deterioration of their working standards during the depression. Also, as men returned to jobs and pay rolls, they began paying dues once more and were reinstated in their unions. In these early stages of business recovery only the continued loss of members by unions in the building and transportation industries, in which recovery lagged and unemployment persisted in unusual volume, kept total membership from turning upward in 1932-33.

With the acceleration of business recovery, expansion in employment and the rise in wages, the conditions of union growth became still more favorable. Business men, fearing interruptions to production on a rising and profitable market, were willing and ready to make concessions in wages, hours and working conditions in order to avoid shut-downs and loss of orders. Since organized labor rarely limits its demands to union recognition alone, but in its drives for membership agitates for higher wages, a shorter work-week, seniority, restrictions on the right to hire and fire and the like, it was able to claim credit for the very general benefits received by labor during this period. The men, consequently, joined unions, as they did from 1915 to 1920, as much for the immediate gains they were winning as for any faith they may have had in the value of permanent affiliation with one or another labor organization. Particularly during 1936, and early 1937, when employment, prices and profits moved sharply upward, and substantial increases in wages proved easier to get, organizing activities were crowned with greater success than usual, and there was a marked upsurge in union membership. A large proportion of the new members, moreover, paid neither

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initiation fees nor dues and had not yet subjected themselves to the various disciplines of union organization. Signing membership application blanks and even participating in strikes held under union auspices were, under the circumstances, tentative and experimental decisions to be tested by a longer and more normal experience.

These tests have proved historically to be much more formidable than is commonly supposed. It is one thing to win converts to a labor movement, when demands are swiftly followed by concessions and jobs are scarce and safe, and another to hold members in a union when business is declining and the subjects of collective bargaining are the amount of a proposed wage cut and the order of lay-off. In the United States, where competitive forces have hitherto dominated the labor market, workingmen who joined unions during limited periods of prosperity abandoned the movement in large numbers when business conditions turned bad. Thus of the large gains in the membership of American unions during the World War, nearly 70 per cent, or roughly 1,400,000 members, dropped out of their organizations from 1920 to 1923; and the decline was not peculiar to the unskilled, but was as great among the skilled as among common labor, among craftsmen as among machine tenders. To some this shrinkage is attributable to the non-union tactics of American employers and to the pressure brought to bear by them on their employees. But it is worth noting that in England, where the rights of workingmen and unions are said to be explicit and fully protected in the law, the unions lost 40 per cent of their total membership, or three million members, in precisely the same years.

II

The forces that have played on American labor relations since 1933 have been immeasurably more complex than in the past. A large, if dwindling, army of unemployed has for some years been kept out of the labor market by a variety of devices so that we have been witnessing the unusual spectacle of steeply rising wage rates for the employed and the existence of a widespread surplus of labor. The frequency and duration

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of strikes have been affected by the willingness of local and federal relief agencies to support strikers during their periods of voluntary idleness. More important still have been the development of a federal labor policy and the enactment of legislation intended to make that policy effective. The foundation of this edifice of an American labor policy is the National Labor Relations (Wagner-Connery) Act, approved by the President, July 5, 1935, and, in some of its terms at least, upheld by the United States Supreme Court in a series of decisions issued on April 12, 1937.

In view of the significance of this Act and the effect it has already had on labor relations, not to speak of its probable influence in the future now that it has the sanction of favorable Supreme Court decisions, the general character of this type of law deserves closer examination than it has yet received. The Act, so far as one can judge by its terms and the way it is administered, is quite unlike the trade-union law of England. It goes far beyond the English law in the rights it confers on labor, individually and collectively, and in the degree of control it undertakes to exercise over the rights of employers and the procedure and outcome of negotiations between labor and industry. The assumptions on which the law and its administration rest seem likewise to be novel in this kind of legislation and suggest elaborate, if implicit, hypotheses regarding the social or moral and economic consequences of the chronic weakness of organized labor in the United States during the last half-century.

The moral assumptions involve at the same time an explanation of the failure of American workingmen to join unions and a defense of the benefits of collective bargaining. The blame for the backwardness of trade unionism is, first of all, squarely put on the employer and next on the courts, the police and other public authorities. The Chairman of the National Labor Relations Board, Mr. J. Warren Madden, in an address before the Congress of American Industry,[1] offers the following explanation of the state of organized labor in the United States:

[1] New York City, December 5, 1935.

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We have then, according to this high authority [Chief Justice Taft], this situation. Labor unions are necessary. Without them a single employee is helpless. He has a complete legal right to combine with his fellow workmen into a union. He would thereby cease to be helpless. Yet only a handful, comparatively, of all American workmen have so combined with their fellows. Does this prove that of all American workmen, a class of men and women who are politically free and accustomed to the institutions of political democracy, who are as intelligent as and more productive than any other set of workmen in the world, all but a handful prefer to remain helpless in dealing with their employers? If it proved that it would prove obvious nonsense.

If there is anyone who does not believe that employers can and do effectively destroy the right of self-organization among workmen, I should like to have that person tell me what would be the effect upon him, if he were a workman having a family dependent on him for support, of any one of the following events:

(1) His foreman tells him that he will lose his job if he joins a union.

(2) He observes that those in the shop who do join a union, and especially those who take any position of leadership in the union, are immediately discovered and discharged or demoted.

(3) He learns that one who he supposed to be a fellow workman was in fact a stool-pigeon placed by a detective agency under a contract with the employer, for the purpose of learning of the union activities of the workmen and reporting to the employer.

(4) When he and his fellow workmen interest themselves in forming a labor union of their own choice, his employer, who had never before shown any interest in the organization of the men, brings forward another kind of organization which is urged upon the men by their foremen who give them to understand that the employer is in favor of the second organization and opposed to the first, and that if the men will join that organization, the employer will finance or endow it.

I ask you whether any American workman is so stupid as not to see the threat to his job and his family which is implied in any one of these situations. I ask you whether this kind of conduct by employers, if in fact they do indulge in this kind

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of conduct, would not account in a rational way for the fact that most American workmen, being unorganized, have, in the language of Chief Justice Taft, remained "helpless in dealing with an employer."

This view of the situation, perhaps not always so vigorously stated, is no doubt the view that is at the root of the Wagner Act. By its terms, American workmen have been universally victimized by their employers and have surrendered to them their freedom of action. Persuasive as this view may be in specific cases, it does not afford a satisfactory explanation of the fact that more than 25,000,000 employees, excluding agricultural laborers and domestic servants, have remained unorganized in this country for decades. During the last four years, in particular, organizing campaigns have been conducted with unparalleled vigor, at great cost, and in the main free of interference from the usual sources. Yet there is ample evidence that a large number, and in some cases the majority, of employees have been slow to join the union which was soliciting their support. For this reason, unions have been signing limited agreements with employers and, like the employers, have hesitated to raise the question of membership lest an election reveal their weakness. For the same reason, unions now as in the past have fought for the closed shop or the check-off, or both, knowing that either of these measures would drive reluctant and recalcitrant workmen into their ranks and would keep them there. Employers, who are familiar with the methods of organizers and their staffs and appreciate the "influence" which an organized and militant minority can exert on their fellow workmen, regard a statute as one-sided and harmful which, by implication, condones force and intimidation when it happens to be used by organized labor.

The economic assumptions of the Wagner Act and of the labor policy of this administration have been variously stated. But they reflect the predominant popular opinion of these past years as to the causes of business depression and the sources of business stability and economic security. Mr. Francis Biddle, Chairman of the first National Labor Relations Board, held

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that "the underlying theory behind this [the Wagner] Act, and behind most of the New Deal legislation, is that the economic crisis was caused by a maladministration of wealth." [2]

The Act itself is more explicit and far-reaching, for it states in its preamble that

> The inequality of bargaining power between employees who do not possess full freedom of association or actual liberty of contract, and employers who are organized in the corporate or other forms of ownership association substantially burdens and affects the flow of commerce, and tends to aggravate recurrent business depressions by depressing wage rates and the purchasing power of wage earners in industry and by preventing the stabilization of competitive wage rates within and between industries.

In these words there is compressed a whole body of economic doctrine and historical interpretation. The evidence on which the doctrine depends hardly squares with the relevant facts. During the ten years following 1920 the real income of labor in the United States reached a peak for all time. While the available indexes of national income are capable of improvement, such as they are they show no decline, during the years preceding the depression, in labor's share in the total national income. Nor is there compelling evidence to support the widely held supposition that the American unemployment rate had risen in the course of this period of post-war prosperity. In agreement, further, with the traditional position of organized labor in this and other countries, the authors of the Wagner Act apparently believe in the power of fixed and uniform wage rates to stabilize the real income of wage-earners. There is ample social justification for attempting to raise excessively low wages that outrage the standards of decency of a community. But there is no more reason to hope that an inflexible wage structure, insensitive to the changing conditions of an economy, will succeed in lifting the standards of living of labor than that an inflexible price structure will conduce to the lasting prosperity of industry. There is similar justifica-

[2] "Objectives of the Wagner Labor Disputes Act", in *Wharton Assembly Addresses* (Philadelphia, 1936), p. 19.

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tion in a democratic society for policies designed to bring about greater equality in the distribution of wealth and income. But for this purpose as well there are simpler and more direct measures, such as taxation, that may be expected to achieve the desired goal without at the same time threatening serious injury to the prospective beneficiaries of our social policy.

III

It should be clear that a law drawn on these assumptions would contain provisions sufficiently drastic to achieve its foremost objective of furthering the unionization of industry. The principal provisions of the Wagner Act, accordingly, enumerate and define unfair labor practices on the part of employers, indicate the general principles in accordance with which employees may choose their representatives for the purposes of collective bargaining, and set up a board to interpret and apply the law.

The unfair labor practices listed in the law all involve unusual difficulties in administration. The prohibition of coercive and discriminatory acts against employees by reason of their membership or activity in labor unions calls for the review of all cases of discharge which are lodged with the Labor Relations Board. In ordinary times such a review would be a task of formidable proportions. During aggressive organizing drives, when activities in the interest of unionization are coupled with violations of shop discipline and acts of insubordination, an intolerable burden must inevitably be placed on the enforcement agency, and many complaints, good and bad, will go by default. More important, however, is the prohibition of the two more subtle forms of unfair labor practice the effects of which remain to be seen.

The first consists in dominating, or interfering with the formation or administration of, any labor organization, or contributing financial or other support to it, and the second in refusing to bargain collectively with the representatives of one's employees.

The prohibition against domination and interference with workmen's organizations is directed against company unions

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and similar types of employee representation. Its effect has already been to dissolve many such organizations throughout the country and, in the past weeks, to convert an increasing number of them into independent units, with dues-paying members, in form, at any rate, not unlike the orthodox trade union. This development is the outcome of a decision by the Labor Relations Board in a case affecting the status of a company union in the Fort Wayne plant of the International Harvester Company. This is the leading case of its kind because of the age and high reputation of the Harvester Company's plan of employee-representation and because it was not complicated by the usual charges of coercion, discrimination and the like. The issue was solely the right of the management to foster this type of an arrangement.

In a decision which all but denies the existence of a strong mutuality of interest between employer and employee, the plan was ordered disestablished.[8] The lengthy opinion of the Board is so revealing a document that it should be read by all students of industrial relations. It is full of reflections of the views of the Board as to the correct forms of labor relations, but its flavor is suggested in the following excerpt from the decision:

> The aspect of management support of the Plan is difficult to describe in a manner which will adequately convey the extent to which the Plan has been interwoven into the daily life, both of work and of social and athletic activities, of the Fort Wayne employees. Through the years of operation of the plan, the management, convinced of its soundness, has carefully supplied prop after prop for its support so that today the average employee at the plant accepts the Plan as an institution without any realization of the careful structure that has thus been built to keep the Plan alive and functioning. . . .
>
> Wherever possible the Plan has been linked with activities and working conditions that are obviously beneficial to the employees and desired by them, so that the Plan may both receive credit for the benefits resulting from the other activities and be regarded by the employees as an integral part of the plant life. . . .

[8] Decision of the National Labor Relations Board, Case No. C-41, November 12, 1936.

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In addition to this power to disestablish existing bargaining agencies of employees, the Board may find an employer guilty of an unfair labor practice if, in its judgment, he has refused to bargain collectively with the lawful representatives of his labor force. But what is collective bargaining? Is it bargaining that results in a contract? Does the power of the Board to require collective bargaining carry with it the right to pass on the merits of labor's demands, on the one hand, and of the employer's counter proposals, on the other? If so, the exercise of this power comes perilously close to compulsory arbitration. In the opinion of an experienced student of this law, himself regional director in the Chicago district for the old National Labor Board, the provision in question might be expected to have precisely that effect. He writes,

> In the controversies coming before the old Labor Board many employees felt that they had been denied the privilege of collective bargaining unless the employers to some extent yielded to their demands. Employers were convinced that the government through the Labor Board had thrown its weight on the side of the workers in exacting concessions from them. Although the old Board denied this, there is little doubt but that in many cases the employer, because of the pressure from the Board, had to make concessions which he would not otherwise have made. To the extent that the government directly or indirectly exerted pressure upon the employer to make concessions, the employer was the victim of unilateral compulsory arbitration.[4]

The power of life and death, which the Labor Relations Board has over any labor organization, it derives to even greater extent from those sections of the Act that authorize the Board to supervise the choice of appropriate employee representatives. Disputes over representation have in the main been between the so-called bona fide unions and company unions. The authority of the Board, however, has been invoked to settle similar disputes between several competing "bona fide" unions and on occasion between a national organ-

[4] William H. Spencer, *The National Labor Relations Act* (Chicago, 1935), p. 23.

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ization and one of its constituent local bodies. In such cases the Board has hitherto shown great reluctance to intervene. Thus in a controversy over representation of refinery workers employed by the Standard Oil Company of California, the Oil Field, Gas Well and Refinery Workers' Union, an organization then and now affiliated with the C.I.O., requested the Board to hold an election to determine whether the union or an established company union, the Standard Employees Association, was the appropriate bargaining agency for these employees. In the course of the proceedings a group of craft unions affiliated with the American Federation of Labor asserted their jurisdictional rights and demanded a place on the ballot. This demand the Oil Workers' Union protested. The Board presumably found the situation embarrassing and, overlooking the fact that the Oil Workers' Union was a C.I.O. affiliate, withdrew from the case on the ground that the controversy was a jurisdictional dispute within the A. F. of L. in which it declined to intervene.[5]

Now that the lines have become more sharply drawn between the A. F. of L. and the C. I. O., such controversies are bound to occur with greater frequency. At the same time many of the new independent plant unions will begin to assert themselves and demand their bargaining rights. Only during the past weeks three unions—one affiliated with the A. F. of L., the second with the C. I. O., and the third an independent plant union—have become involved in a dispute over the right to represent employees of the Consolidated Edison Company of New York. As these disputes grow in number and are brought before the Board the pressure to intervene will become too strong to resist. When that happens, both the law and the Board will be exposed to severer tests than they have yet encountered. For, however the Board may rule in these cases, its decisions will have the effect of destroying one of several competing unions. This eventuality may well produce political repercussions and some questioning of the National Labor Relations Act by the unions themselves.

[5] Decision of the National Labor Relations Board, Case No. XXI–R–3, April 23, 1936.

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IV

This, then, is the law under which industry and labor will be required to operate from now on. Its compulsions run deep. As applied, it has proved the most effective organizing weapon with which this country has yet had experience. It stands in sharp contrast to the labor law of England, by the terms of which coercive acts are outlawed, threats against the public authorities forbidden, the accounts of labor unions made subject to registration with public agencies, and the contributions of labor unions to political parties brought under strict control. If there is merit in the current demand for amendments to the Wagner Act, it consists not in framing new and elaborate statutes but in defining more clearly the rights and responsibilities of employers and subjecting organized labor to simple and decent regulations of this sort. For as private agencies aspire to public power they must be ready to assume the duties inherent in their new position.

At the same time they must learn to use their economic power with wisdom and deep concern for the problems of industry and business. If they adhere to the traditional trade-union policies of monopolistic wage rates and restriction of output, they will defeat the ends they now strive to achieve and they will subject themselves and industry to far-reaching state control and the progressive monopolization of business enterprise. As attractive as governmental regulation appears to be in times of stress and crisis, it has yet to prove itself, either in logic or in experience, a fertile source of the rising productivity of industry on which primarily depends the standard of living of the masses of our citizens.

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INSTRUMENTS OF BRITISH POLICY IN THE STERLING AREA *

THE problem considered in the following pages is the attempt of Great Britain, since the crisis of 1931, to forge closer links with various regions of the Empire and with non-Empire countries in what has come to be known as the " Sterling Area ".

This attempt may have been inspired by a determination to stem the tendency toward economic decline resulting from the drying up of international trade and the paralysis of international exchange in 1931, or by a desire to counteract the trend toward political disintegration ushered in by the Statute of Westminster of the same year. Whatever the motive, Great Britain has been trying since that date to build up closer relationship with her economic and political empires. She has faced a serious dilemma—in her efforts to effect a reconciliation of her domestic interests, both economic and financial, with the sharply conflicting interests of the dominions and of the non-British countries forming important links in the British economic system.

The particular instruments which Britain has used in forging these closer links within the Sterling Area are the system of imperial preference embodied in the Ottawa agreements, the reciprocal trade pacts with non-Empire countries, the establishment of stable exchange rates with these countries, the securing of favorable treatment under the Argentine system of exchange control, the development of central banking in the dominions, and the preferential treatment, in the matter of international loans, extended to the dominions and to other countries within the Sterling Area.

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What do we mean by the Sterling Area? Immediately after Great Britain's departure from gold on September 21, 1931, the term first came into general usage to designate that group of countries which chose to follow the pound sterling rather than to adhere to gold or to attempt to maintain stability in terms of gold.[1] These countries, while following sterling closely, are not bound together in a formal monetary union. In fact, the concept of a Sterling Area is extremely loose and may vary at different times and with different writers.[2] For these reasons the boundaries of the area cannot be defined precisely.

We may say in general, however, that the Sterling Area includes those countries both within and outside the British Empire whose currencies are closely linked to the British pound and whose monetary policies are governed more or less directly by those followed by the British Exchequer and the Bank of England. It embraces, first of all, the far-flung portions of the British Empire—the dominions,[3] the colonies, the mandates such as Palestine and Tanganyika, and the condominium of Anglo-Egyptian Sudan. The area includes, in the second place, Argentina and the Scandinavian countries—Norway, Sweden and Denmark—whose currencies were more

[1] "The sterling bloc came into being because a number of countries, more or less dependent on the English market, after abandoning gold found it expedient *for the time being* to maintain a fixed sterling rate, thus securing stable exchange relations not only with Great Britain, but also among themselves. This has been described as a new international currency system of a similar character as the gold standard. One can scarcely speak of a 'sterling standard,' however, so long as each member of the bloc is free to alter its sterling rate without notice and *without that loss of prestige* which used to be the lot of a country abandoning the gold standard." *Explorations in Economics; notes and essays contributed in honor of F. W. Taussig* (New York, 1936), p. 79.

[2] *The Economist*, November 24, 1934, p. 985. Some writers consider only the Scandinavian countries as making up the Sterling Area. Ex-President Hoover would even include the United States. *New York Times*, November 16, 1935.

[3] Inasmuch as the Canadian dollar has often fluctuated with the American dollar, and since Canada is so intimately connected with the United States by ties of trade and finance, some writers have refused to include Canada in the Sterling Area.

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promptly linked to sterling in the 1931 crisis than even those of the dominions and, since January 1934, have remained absolutely fixed in relation to sterling. Other countries which may be included are Bolivia, Brazil, Colombia, Egypt, Estonia, Finland, Japan, Paraguay and Portugal.[4]

The present study is confined chiefly to the dominions, and to the four countries—Norway, Sweden, Denmark and Argentina—which form the most important non-British part of Great Britain's economic empire.

The Ottawa Agreements

Following the reversal of Britain's fiscal policy and her adoption of protection in late 1931 and early 1932 a comprehensive system of imperial preference was set up at Ottawa in the summer of 1932.[5] There were in all eleven bilateral agreements concluded at the Conference between different portions of the Empire.[6] The broad outlines and main provisions of these agreements—all of which were similar—may be briefly summarized.

In return for concessions on the part of the dominions, Great Britain undertook to give definite advantages in the English market: (1) to continue (with certain reservations to protect the United Kingdom producer) free entry for all Empire products already admitted free under the Import Duties Act of 1932; (2) to impose fresh duties—by putting on new duties, increasing existing ones, and consolidating *ad valorem* into specific duties—on certain foreign imports, including wheat,

[4] This is the list enumerated by the Bank for International Settlements. *New York Times*, September 8, 1935.

[5] In carrying out the system of imperial preference it was, of course, found necessary to define the area to which the system should be applicable. For this purpose the British Empire is defined by the Import Duties Act of 1932 as "His Majesty's dominions outside the United Kingdom, including all parts of India, territories under His Majesty's protection, territories in respect of which a mandate of the League of Nations is being exercised by the Government of a Dominion within the meaning of the Statute of Westminster, 1931, and any territory in respect of which a mandate of the League of Nations is being exercised by the Government of the United Kingdom."

[6] For the full text of these agreements see The Imperial Conference, 1932, *Report of the Conference*, Supplementary Volume, Annex V.

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maize, butter, cheese, raw and canned or dried fruits, eggs, condensed milk, etc.; (3) to continue certain existing preferences, by not reducing the general *ad valorem* duty of 10 per cent imposed by the 1932 Act on certain foreign goods, as timber and leather, without consent of the dominion government concerned; (4) to establish an import quota, restricting quantitatively imports of frozen mutton and lamb and frozen and chilled beef from foreign countries, with a view to raising meat prices in the British market to the point required for efficient production at home and in the dominions and to give the dominions a greater share of the British market; (5) to prohibit the imports of any foreign country which appeared likely to frustrate the preferences granted or guaranteed at Ottawa.[7]

There were, however, some very definite limitations upon the preferences granted. The United Kingdom reserved the right, if at any time in consequence of restrictions upon foreign imports of meat and wheat the supplies became inadequate, to remove any such restriction until supplies were again adequate.[8] The duties on foreign wheat, copper, lead and zinc imported into the United Kingdom were made conditional in each case on Empire producers continuing to offer those commodities on first sale in the United Kingdom "at prices not exceeding the world price."[9]

The concessions granted by the dominions differed in each case. New Zealand was to reduce the British preferential duty on specified items: clothing, confectionery, hosiery, silk and rayon piece goods. South Africa agreed: (1) to grant new

[7] In pursuance of this undertaking Great Britain on October 17, 1932 gave notice of denunciation of her 1930 Soviet commercial agreement on the ground that the Ottawa agreements required Britain to be in a position to discriminate by import prohibition against Soviet trade. See Maxwell S. Stewart, "The Ottawa Conference", *Foreign Policy Reports*, Dec. 21, 1932, pp. 248-9; and A. J. Toynbee and V. M. Boulter, *Survey of International Affairs* (London, 1932), pp. 28-9.

[8] See schedule *H* of the Australian agreement; the Canadian agreement, article 4.

[9] Australian agreement, article 5; the Union of South Africa agreement, article 5; the Indian agreement, article 5; Southern Rhodesia agreement, article 6; Canadian agreement, article 4.

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or increased preferences on a list of manufactures; (2) to leave the existing British preferential tariff on cotton and rayon piece goods unchanged; (3) and to maintain existing margins of preference on a long list of British manufactures. India, Newfoundland and Southern Rhodesia made similar promises of preference.

Canada, Australia and New Zealand entered into a common undertaking, first, that tariff protection should be offered "only to those industries which are reasonably assured of sound opportunities for success",[10] and, second, to keep or reduce duties to a level which would give United Kingdom producers "full opportunity of reasonable competition on the basis of the relative cost of economical and efficient production", with special consideration, however, to "industries not fully established."[11] This principle of compensatory tariffs is regarded by some as the most important feature of the Ottawa agreements.[12] As soon as practicable the Dominion Tariff Boards were to review existing rates and, after permitting United Kingdom producers to appear before the Boards, to vary the tariffs in accordance with this compensatory principle.

Canada agreed that all existing surcharges on imports from the United Kingdom should be completely abolished as soon as the finances of Canada would allow, and further undertook "to give sympathetic consideration to the possibility of reducing and ultimately abolishing the exchange dumping duty in so far as it applies to imports from the United Kingdom."[13]

The agreements concluded at Ottawa became effective October 12, 1932,[14] to run for a period of five years,[15] and sub-

[10] See the Australian agreement, article 9; the New Zealand agreement, article 7; the Canadian agreement, article 10.

[11] See articles 10, 8, and 11 of the Australian, New Zealand and Canadian agreements respectively.

[12] Toynbee and Boulter, *op. cit.*, p. 30.

[13] See the Canadian agreement, article 17.

[14] *New York Times*, October 8, 1932.

[15] This period of five years is "an exceptionally long term of currency (of international commercial agreements) without the possibility of denunciation." Toynbee and Boulter, *op. cit.*, p. 29.

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sequently to continue in force until six months after notice of denunciation by either party. The agreement with India was terminable at any time after six months' notice by either party.[16]

The policy of imperial preference initiated at Ottawa has been criticized upon numerous grounds. It was, first of all, widely regarded as directly opposed to the idea of increased free trade. To use preference as a policy to beat down tariff walls is, according to T. E. Gregory, merely a "humbug".[17] By these agreements, it was argued further, the hands of Great Britain were bound for a period of five years in negotiating more favorable commercial arrangements with countries outside the Empire.

Two views have been expressed with regard to the limitations which the Ottawa agreements placed upon Great Britain's bargaining position. On the one hand, it is argued that these agreements were the foundation upon which subsequent treaties with foreign countries were built, and that without the Ottawa agreements the Board of Trade could not have brought about the subsequent trade agreements with foreign countries. It is argued, on the other hand, that the trade agreements with other countries would have been more advantageous and easier of achievement, if it had not been for the limitations imposed at Ottawa.[18]

The admission of foreign countries to the preferential system is apparently ruled out by a resolution of the Ottawa Conference affirming that while each government would determine

[16] On March 30, 1936, the Indian Legislative Assembly voted to give notice of termination of the agreement reached at Ottawa in 1932. This notice was given May 13, 1936, and termination was, therefore, to become effective November 13, 1936. Before this latter date, however, an agreement was reached that, in view of the negotiations in progress for the conclusion of a new trade agreement, the 1932 agreement should continue in force, subject to termination at three months' notice by either side. In the event of failure to conclude a new agreement the governments of the United Kingdom and of India agreed that neither party would withdraw existing preferences without consultation with the other party. *Board of Trade Journal*, May 21, 1936, p. 738.

[17] *New York Times*, August 25, 1933.

[18] See the opinions of Mr. F. Deverell and Sir Karl Knudsen, *International Affairs*, May–June, 1934, p. 322.

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its particular policy in dealing with the relationship between intra-commonwealth preferences and the most-favored-nation clause in commercial treaties with foreign powers, it would be a general policy that

> no treaty obligations into which they might enter in the future should be allowed to interfere with any mutual preferences which Governments of the Commonwealth might decide to accord to each other, and that they would free themselves from existing treaties, if any, which might so interfere. They would in fact, take all the steps necessary to implement and safeguard whatever preferences might be so granted.[19]

In spite of this undertaking, the opinion was currently expressed that ample room was left the signatory powers to bargain with foreign countries under the terms of the Ottawa pacts. This opinion is supported by the fact that Great Britain has raised no objections to the recent Canadian-American trade agreement. She has, in fact, reaped unexpected benefits from the revision of Canadian customs regulations and the reduction of the American tariff on Scotch whisky. Apparently the Ottawa agreements are left intact, and the United Kingdom retains its existing preferences in the Canadian market.

A third, and perhaps the most serious, criticism of the Ottawa agreements was that concessions to the dominions (along with the duties imposed) would penalize Great Britain's foreign trade which was, in quantity at least, far more important than her imperial trade,[20] and that because of her dependence upon foreign markets and investments, Britain could ill afford to injure certain countries with whom she maintains very close trade relations.

The increase of duties was especially onerous in respect of imports from Sweden and a number of Great Britain's other good customers. Denmark was particularly affected by levies on butter, eggs and bacon. Argentina stood to lose heavily,

[19] The Imperial Economic Conference, 1932, *Report of the Conference*, p. 21.

[20] In 1934 approximately 37 per cent of United Kingdom imports came from Empire countries and almost 47 per cent of her exports went to Empire countries.

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as a result of the tariff on wheat and the restrictions on the importation of meat,[21] and was very much alarmed.[22]

Extra-Empire Agreements

From the very day that the Import Duties Act was passed, and particularly after the Ottawa pacts were signed, the British Foreign Office was said to be "constantly invaded" by representatives of countries—particularly Norway, Sweden, Denmark and Argentina—who wished to enter into negotiations.[23] Treaties with these four countries were concluded in April and May 1933, and came into operation before the end of the year.[24]

The treaty which Denmark finally concluded with Great Britain guaranteed to Denmark 62 per cent—compared with her 67 per cent in 1932—of the total permitted imports into the United Kingdom of bacon and hams from foreign countries. Yet, as was pointed out by *The Economist*, in view of the reservations which Great Britain made in favor of the marketing of her own domestic supplies, it was altogether possible that Denmark might find herself "guaranteed 62 per cent. of nothing!"[25] Denmark also secured an export quota

[21] British imports of foreign frozen beef and frozen mutton and lamb were to be progressively cut to 65 per cent of 1931-32 amounts. Foreign supplies of chilled beef, which were not supplied in appreciable quantities by the dominions, were to be kept at the 1931-32 figures. *The Round Table*, vol. 24, pp. 752-3.

[22] See statement of Foreign Minister Saavedra Lamas, *New York Times*, October 22, 1932.

[23] *The Round Table*, vol. 23, p. 62.

[24] The dates connected with these agreements and the number of the White Paper giving the details of each are as follows: (1) Argentina: convention May 1, 1933, ratifications exchanged November 7, 1933 (Cmd. 4492); supplementary agreement September 26, 1933, ratifications exchanged November 7, 1933 (Cmd. 4494. (2) Denmark: commercial agreement April 24, 1934, ratifications exchanged June 20, 1933 (Cmd. 4424). (3) Norway: commercial agreement May 15, 1933, ratifications exchanged July 7, 1933 (Cmd. 4500). (4) Sweden: commercial agreement May 15, 1933, ratifications exchanged July 4, 1933 (Cmd. 4421). From the beginning of 1933 to January 1936 Great Britain has concluded bilateral trade agreements with fifteen countries other than the four mentioned above. For a list of these treaties see London, *Times*, Trade and Engineering, January 1936, p. 3.

[25] *The Economist*, April 29, 1933, pp. 900-1.

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of butter slightly under 1932 exports [26] to Great Britain, and a quota of egg exports, also slightly less than 1932 exports. Reservation was made, however, as to action necessary to maintain a remunerative price level in Great Britain.

In return, Denmark agreed to redress the balance of trade which was heavily in her favor as follows: (1) a wide range of British goods — including machinery, coal, coke, iron and steel, galvanized plates—was to be admitted duty free; (2) other classes of British goods, such as cotton piece goods, were to enjoy a reduction of duties; (3) another very wide range of goods, including woolen and cotton piece goods, other than those in the second class, were to be free from any increase of duties. Denmark agreed, further, to buy from Great Britain 80 per cent of her total coal imports and all the jute, salt, saltpeter and wrapping paper required for the export of bacon, hams and butter to Great Britain. The treaties with Norway and Sweden followed much the same line as the Danish agreement.

Argentina agreed (1) to reduce to the 1930 level existing duties on certain goods, a large proportion of which, particularly cotton goods, come from the United Kingdom, (2) to levy no new or increased duties, thus continuing to admit coal free. Great Britain similarly agreed to impose no new or increased duties or quantitative restrictions on certain goods and to take as much Argentine chilled beef as she had imported during the corresponding quarter of the year ending June 30, 1932, subject to a 10 per cent reduction, if necessary, to keep the price at a remunerative level. No restrictions were to be imposed on frozen meat except those agreed to at Ottawa. The underlying principle of this agreement is "the home supply first, next the Dominions, then the Argentine." [27]

The Argentine agreement, however, was "cast in a different mould" from the Scandinavian agreements. In the first place, the restrictions on frozen beef embodied in the Ottawa agreements were not to be tightened unless further limitations were

[26] The quota was 2,300,000 cwts. as compared with 2,584,000 cwts. for 1932.

[27] *The Round Table*, vol. 23, pp. 624-6.

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applied equally to the dominions.[28] Britain, in return, secured preferential treatment in the matter of blocked remittances: Argentina was to make available sterling remittances equal to the exchange arising from Argentine sales in the United Kingdom, after retaining a "reasonable sum" to service other foreign obligations.[29]

The Argentine agreement was also supplemented by a financial arrangement under which a long-term loan was raised in the United Kingdom for the liquidation of frozen short-term debts due to British nationals.[30] Under this financial arrangement Great Britain has received, in return for her trade concessions and a sterling loan, first, the conversion of a large sum of blocked peso balances into direct obligations of the Argentine government. These balances had been "frozen" in Argentina during the period October 1931 to May 1, 1933, that is, from the date of the institution of Argentine exchange control until the conclusion of the Anglo-Argentine agreement. Secondly, Great Britain has enjoyed exceptionally favorable treatment in the allotment of Argentina's available supply of foreign exchange. Moreover, this supply of exchange has been provided to Great Britain at a substantially lower rate—as much as 20 per cent lower — than that available to other countries. Finally, Argentina has been induced to abandon her formal adherence to the French franc and to peg her peso to the British pound, a change of policy initiated in February 1934.[31]

Many who had welcomed the conclusion of the Ottawa pacts as an instrument of closer imperial unity were greatly disappointed when the Scandinavian and Argentine agreements were concluded. *The Daily Express* of Lord Beaverbrook protested against "the granting of dominion status to

[28] Article 1 of the Convention. [29] Article 2 of the Convention.

[30] See article 1, par. 4, for the basis of this arrangement. See also League of Nations, *World Economic Survey, 1933-34*, pp. 204-5.

[31] I have discussed the Anglo-Argentine trade and financial agreements in "Anglo-Argentine Trade Agreements", *The Canadian Journal of Economics and Political Science*, February 1936. The trade agreement has recently been revised.

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the South American republic." [32] Certainly the spirit, if not the letter, of the Ottawa agreements was violated by these later pacts.[33] Great Britain pledged herself not to reduce importations of Argentine chilled and frozen beef more than 10 per cent below 1932 figures, without equal reductions of these imports from the dominions.[34] Denmark was given a similar guarantee concerning her exports of bacon and hams and butter. The promise to the dominions of an "expanding share" of the British market [35] was, in the case of these commodities, simply pious nonsense. The four years which have elapsed since the signing of the Scandinavian and Argentine agreements may have lessened, but they have not quieted, dominion opposition.

British Loans in the Sterling Area

One of the best illustrations of Great Britain's new methods of commercial policy is to be found in her regulation of foreign securities. Since 1931 foreign loans have been under strict Treasury control, and no foreign issue is allowed entrance into the London market without prior permission. Dominion securities do not, of course, come within the category of "foreign securities". The policy which the Chancellor of the Exchequer has adopted is to maintain existing restrictions on foreign loans, but to lift the general ban for issues of countries within the Sterling Area whose sterling assets need to be increased in order to minimize exchange fluctuations, or for issues the proceeds of which are used to benefit British industry by the purchase of British goods.[36]

The consistency with which the Exchequer has followed this declared policy is well illustrated by an analysis of the

[32] *New York Times*, May 3, 1933. Certain American bankers declared the Argentine agreement of such menace as to warrant retaliatory measures by the United States.

[33] See the statement of L. S. Amery, advisor to the United Kingdom Delegation at Ottawa. London, *Times*, May 4, 1933.

[34] Article I of the convention.

[35] Anglo-Australian agreement, article 4.

[36] *The Economist*, November 3, 1934, p. 831; League of Nations, *World Economic Survey, 1933-34*, p. 316.

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new capital issues floated in the London market since the beginning of 1933. The following table shows clearly that an increasing proportion of the new capital issues have been flotations for the United Kingdom itself or for the dominions. The combined issues of the Empire countries constituted in 1934 exactly 98 per cent of the total and in 1935, 98.4 per cent of the total.

TABLE I

ANALYSIS OF NEW CAPITAL ISSUES IN THE UNITED KINGDOM BY DESTINATION, 1931–1936 [87]

(in thousands of pounds)

Year	United Kingdom		India and Ceylon		Other British Countries		Foreign Countries	
	Total	Per cent of all issues	Total	Per cent of all issues	Total	Per cent of all issues	Total	Per cent of all issues
1931	42,588	48.0	22,469	25.4	14,363	16.2	9,246	10.4
1932	83,817	74.1	6,390	5.7	22,483	19.9	348	0.3
1933	95,059	71.5	5,018	3.8	24,796	18.7	7,996	6.0
1934	106,741	71.1	1,133	0.8	39,258	26.1	3,058	2.0
1935	161,934	88.6	828	0.4	17,210	9.4	2,852	1.6
1936	99,733	91.5	453	0.4	8,024	7.4	773	0.7

On April 19, 1933, only five days before the Anglo-Danish Commercial Agreement [88] was signed, permission was given by the Chancellor of the Exchequer for a loan of £1,000,000 to the Danish government. The lifting of the ban in this particular case was sanctioned on the ground that the proceeds were to be spent in Great Britain. The loan was floated in connection with the building of the Seeland-Falster Bridge with British steel.[89] The net effect of the loan—if we may assume that the steel would have been purchased without it—was unquestionably to improve Denmark's exchange position. Moreover, the fact that the flotation coincided in point of time

[87] These figures are taken from the Midland Bank, *Monthly Review*, December 1935–January 1936, p. 6, and June–July 1936, p. 7. The figures cover only the first six months of 1936.

[88] Cmd. 4424.

[89] *The Economist*, July 15, 1933, p. 118; *ibid.*, August 18, 1934, pp. 317-8.

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with the signature of the Danish Commercial Agreement is a significant indication of British policy in the Sterling Area.

One of the best examples of a foreign issue, authorized on the ground that its proceeds would benefit British industry, is the 1936 loan to the Union of Soviet Socialist Republics.[40] On July 30, 1936, the conclusion of a trade agreement between the British Export Credit Guarantee Department and the Soviet Trade Representative in London was announced. An important feature of this agreement is the provision for a £10,000,000 loan to the Soviet government, which was granted permission to issue sterling notes at par in London, with interest at 5½ per cent, and payable at par five years after date. Both principal and interest were guaranteed in full by the Export Credit Department which then proceeded to place the notes in the London market and to pay the proceeds into a special account of the Soviet Trade Representative at a British joint stock bank.

This credit was extended only upon condition that the Soviet government place orders for £10,000,000 of British goods by September 30, 1937. British manufacturers were given a British guarantee of prompt payment (within 30 days of delivery of satisfactory shipping documents) by cheques drawn upon the accounts set up from the sale of the bonds. Political circles saw more than an economic deal in the Anglo-Soviet agreement. Fear of German rearmament, it was believed, had led Great Britain to seek more friendly relations with the Soviet Union. Nevertheless, aid for British industry was undoubtedly the primary motive in lifting the embargo in this case—although more friendly political relations with the Soviet government were probably a secondary consequence, and certainly not an unwelcome windfall.

In August 1934, the Treasury approved, on behalf of a Norwegian company, an issue which *cannot* be explained on the ground that its proceeds would finance additional exports from the United Kingdom and thus benefit British industry. This loan involved the "placing" in London by Hambros

[40] *New York Times*, August 2, 1936.

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Bank of approximately £1,150,000 of first mortgage debentures of the Union Company of Oslo.[41] The proceeds were used to refund 21,500,000, kroner of the Union Company's first mortgage debenture stock held by the Bank of Norway in London. Norway in this transaction, it was currently commented, "ratifies her membership in the sterling club, by putting herself under at least an indirect 'obligation' to London."[42] This issue is of special importance because it enabled a country within the Sterling Area to increase its sterling assets and because the loan, as an exception to the general embargo on foreign lending, can be explained on this basis alone.

A sterling loan of £13,526,335 was extended to Argentina in 1933, also in connection with a commercial agreement, for the purpose of "unfreezing" blocked peso balances which had accumulated as a result of Argentine exchange control operations from October 1931 to May 1, 1933. In March 1934, permission was granted to deal in £6,370,300 of Argentine bonds, which represented the balance of the authorized total of £13,526,335 issued to holders of blocked pesos under the Convention of 1933, the remainder having been deposited with the trustees of the United Kingdom and Argentine 1933 Convention Trust.[43]

The flotation of the £4,514,200 Austrian government loan in August 1933 might appear to be a contradiction of the policy of the British Exchequer to grant preferential treatment to countries in the Sterling Area. Considering the very special circumstances surrounding this loan, however, it is not an exception to the general policy. In the first place, the entire proceeds were utilized for the reimbursement of the Bank of

[41] The security for the debentures, being in the form of exports, is of particular interest. This company, the largest producer of newsprint and mechanical pulp in Norway, agreed that its foreign buyers would pay their entire proceeds direct to the agents of debenture holders in London, the agents keeping each month one twelfth of the amount required for the service of the debentures.

[42] *The Economist*, August 18, 1934, pp. 317-8.

[43] *The Economist*, March 24, 1934, p. 640. For a fuller account of this financial arrangement see Robert B. Stewart, "Anglo-Argentine Trade Agreements", *loc. cit.*

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England for the advance to the Austrian government shortly after the *Creditanstalt* crisis in the spring of 1931.[44] Secondly, the flotation was made under an agreement signed by Great Britain at Lausanne on July 8, 1932—exactly one week after the Treasury ban of July 1 on all new capital issues. The loan, finally issued as the Austrian Government Guaranteed Loan 1933-53, was floated in six *tranches:* Belgian, British, French, Italian, Netherlands and Swiss.[45] The United Kingdom *tranche*, having been floated in London under the above agreement and for the purpose of reimbursing the Bank of England, is, therefore, not an exception to the general Treasury policy.

More recently (February 17, 1936) official announcement was made of an agreement between the French Treasury and a group of London bankers, headed by Lazard Brothers and Company, for a credit of £40,000,000 for nine months at 3 per cent. The purpose of the operation was to prevent a depreciation of the franc, i. e., to save France's gold standard, at least until after the election which was then imminent. In negotiating this credit France reminded a reluctant British government of the French aid rendered to the pound sterling in the crisis of 1931. London yielded, in spite of the divergence of monetary policies in the two countries and despite the settled conviction in London that a revaluation of the franc at a lower level must precede any genuine recovery in France.[46]

This credit operation, while purely private so far as Great Britain was concerned, was negotiated with the full approval of the British Treasury and might, therefore, be considered as an exception to the general foreign lending policy discussed above. However, it may also be regarded merely as the payment of a political debt — for services rendered in the 1931 crisis. Moreover, the Ministry of Finance insists that this

[44] League of Nations, *Eighth Quarterly Report on the Financial Position of Austria in the Third Quarter of 1933* (Geneva, December 30, 1933), p. 9.

[45] League of Nations, *World Economic Survey, 1932–33*, p. 328; *ibid., 1933–34*, p. 20.

[46] This revaluation came in September 1936, simultaneously with the announcement of the Anglo-French-American monetary accord.

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credit was not in a technical sense a loan. No French bonds were floated in London and the French Treasury merely drew on the amount of the credit according to its needs. Provision was made for repayment at the end of three or six months, if the French so chose.[47]

The policy which Great Britain has followed and the devices which she has employed have been by no means barren of results. After 1932—the year of the Ottawa agreements—Canada, for example, commenced to show a noticeable tendency to shift her borrowings from New York to London. The accompanying table (Table II) shows very clearly the extent to which Canadian government issues floated in New York have declined in recent years.

TABLE II

CANADIAN GOVERNMENT ISSUES FLOATED IN NEW YORK 1925–1935 [48]

(in thousands of dollars)

Year	Total Amount	Amount for Refunding
1925	791,336	201,397
1926	623,916	81,873
1927	912,381	85,469
1928	686,173	103,538
1929	130,062	9,600
1930	619,630	71,738
1931	50,422	9,500
1932	66,015	40,000
1933	60,000	60,000
1934	60,000	60,000
1935	116,000	116,000

Equally clear, and more important perhaps, is the tendency for such issues to represent merely refunding operations rather than the borrowing of new money. From 1925 to 1931 only 10 to 15 per cent of Canadian government loans sold in New York were for refunding purposes. In 1932 this proportion was more than 60 per cent. From 1933 to 1935 Canadian

[47] *The Economist*, February 22, 1936, p. 416.

[48] This table is compiled from figures appearing in the New York *Commercial and Financial Chronicle*, vol. 142, January 11, 1936. The term "Canadian Government issues" here includes the Dominion of Canada, its provinces and municipalities.

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government issues in New York were used entirely for refunding purposes.

Canada's large borrowings in New York prior to 1931 present a marked contrast with her borrowing operations in London during the same period. Since the beginning of the World War she has been a rare visitor to the London money market. Indeed, the year 1933 saw the first Canadian public borrowing in Great Britain during a period of nineteen years.[49] In August 1933 a Canadian loan of £15,000,000 was raised; again in May 1934, an issue of £10,000,000 was sold for the government of the Dominion of Canada.[50] Of this amount £2,735,000 was for the purpose of refunding stocks and bonds falling due June 1, 1934. The remainder of the proceeds represented new money. The Canadian government's renewed preference for London was said to be based partly upon the theory that it is better to borrow where one sells, and under the stimulus of the Ottawa agreements Great Britain was at that time taking more than 40 per cent of Canadian exports.[51]

Surveying Great Britain's foreign loan policy during the years since the emergence of the Sterling Area in 1931, we may observe one feature which stands out clearly: new capital issues floated in London have been confined almost completely to issues on behalf of imperial borrowers, and the few loans to foreign borrowers have been designed, in the main, to increase the London balances of countries in the Sterling Area. In addition, certain of the issues — the Danish loan of 1933, for example—have provided direct aid to British industry.

The dominions are given practically free access to the London money market, while foreign countries may enter only with express permission of the British Exchequer. Among the foreign countries those in the Sterling Area are given

[49] London, *Times*, May 25, 1934.

[50] The issue was made under the authority of the Loan Act, 1933, of the Statutes of Canada.

[51] London, *Times, Weekly*, March 28, 1935. Canada at the same time was buying only 20 to 25 per cent of her total imports from Great Britain.

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special consideration, which is, however, less favorable than that accorded the dominions and colonies. The loans which have been granted within the Sterling Area are of special significance because they represent a new policy of the British government to lift its embargo on capital exports in cases where such loans will contribute to the stability of exchanges. Great Britain thus renders substantial benefits to the Empire and to other Sterling Area countries by aiding them, in times of stress, to keep their currencies linked to the British pound.

Development of Central Banks in the Empire

In the promotion of imperial economic and financial coöperation, a chain of dominion banks maintaining a close liaison with the Bank of England is of vital importance. Until recently most of the dominions lacked the banking machinery essential for effective coöperation. Since 1932, however, important gains have been made in this direction.

The Commonwealth Bank of Australia was established in 1911, but it was only by further legislation between 1924 and 1932 that it was gradually transformed into a central bank.[52] The South African Reserve Bank was established in 1920. The years 1934 and 1935 witnessed the opening of central banks in New Zealand, Canada and India. The simultaneous foundation of these three central banks "is the main Empire banking event of the year" and "marks a definite move forward in the history of the Empire."[53]

An amendment to the Australian Commonwealth Bank Act passed in May 1932 provides for the holding of "English sterling" reserves. The New Zealand Reserve Bank is now under obligation to buy and sell sterling. In India reserves may be held in gold or sterling.[54] The Irish Free State governs its note issue through a Currency Commission which

[52] *The Economist*, March 31, 1934, p. 703. "Not until the bank was called upon to play an active part in the execution of the Premier's plan for combating the depression was this evolution completed."

[53] *Ibid.*, October 12, 1935, p. 709. See also *Journal of Comparative Legislation*, 1936, XVIII, p. 141.

[54] The Reserve Bank of India assumed its currency responsibilities April 1, 1935. See *East India Accounts and Estimates 1935–1936* (Cmd. 5000), p. 23.

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regulates issues so as to keep parity with sterling. South Africa is also, in fact, operating on a sterling standard.[55] Thus, as a consequence of the practice of regulating credit by reference to London balances, there is either a legal or a practical basis for a sterling exchange standard in Australia, New Zealand, the Irish Free State, South Africa and India.[56] The newer legislation in New Zealand and Australia concentrates the regulation of credit in central banks.[57]

In the Irish Free State a Currency Commission serves as the note-issuing authority, but it is not a central bank with the power of regulating credit. It is well recognized that the transformation of the Currency Commission into a central bank would be in line with the policy pursued in the other dominions and a step toward further consolidation of the Sterling Area. Yet such a development would not be of great significance, from the point of view of the Sterling Area, since there exist already very intimate connections between the Irish and the British banking systems.[58]

While Canada will probably continue to follow its traditional policy of avoiding too great dependence upon either the United States or Great Britain, it is nevertheless possible that its central bank will facilitate more effective coöperation between the Canadian and London money markets.[59] The cen-

[55] However, South Africa is not on a gold exchange standard in the same sense as New Zealand and Australia, since a gold reserve equal to 30 per cent of demand liabilities must be held by the Reserve Bank. Liquid funds in London are not regarded as a part of this reserve. See Midland Bank, *Monthly Review*, December 1935–January 1936.

[56] *The Economist*, March 31, 1934, p. 703.

[57] *Ibid.*

[58] *The Economist*, Banking Supplement, October 12, 1935, pp. 18-19.

[59] *The Economist*, March 31, 1934, p. 703. The Bank of Canada commenced operations March 11, 1935. The object of the Bank, according to the preamble of the act under which it is established, is to "regulate credit and currency in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit and to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of the Dominion." Frederick Read, "Review of Legislation (Dominion of Canada) 1934", *Journal of Comparative Legislation*, Third Series, vol. XVI, May 1936, p. 34.

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tral banks of the other dominions are clearly allied with the Bank of England.

With the development of dominion central banks, the responsibility of the Bank of England as the center of the whole system is considerably increased. Yet in all normal cases, it should be able to provide for their reserve needs without serious risks of sudden withdrawals of funds which have always been a constant danger under the gold exchange standard. With proper coöperation between the various Empire units, therefore, the Bank of England holds the possibility of becoming a central bank of central banks — an achievement not yet realized in the Bank for International Settlements.[60]

Even with the development of central banks in the dominions, however, we cannot assume that imperial monetary coöperation will always be assured. Once the decision in favor of coöperation is made, the central banks will, of course, serve as the necessary machinery for carrying it into effect. But a reaction against "the fetish of stability with sterling" is always possible. The present practice of Australia and New Zealand in managing their currencies at levels depreciated below sterling may not always be satisfactory to other portions of the Empire and is suggestive of the difficulties of coöperation.[61] There is some support in Australia, for example, for such control by a Commonwealth Bank as will promote recovery and price stability in Australia, entirely independent of temporary accumulation of London balances. Should sentiment in favor of financial autarchy assume substantial proportions, the new sterling standard will not find the dominions in the rôle of passive adherents to London policy.[62]

At the time of the Ottawa Conference there was considerable agitation for the establishment of an Empire currency system.[63]

[60] *Ibid.*

[61] In the Irish Free State there are some who dislike having the Irish pound linked to the pound sterling at par and who favor depreciation to the level of the Australian or New Zealand pound. This change would not, of course, preclude a link with sterling at a new parity.

[62] *The Economist*, March 31, 1934, p. 704.

[63] Including the Scandinavian currencies and others heavily dependent on sterling and on the British economic system.

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Yet the opinion which prevailed at the Conference was that neither banking organization nor public opinion was ready for a "super-central bank, a brand new currency for Empire trade, or any other ideal scheme."[64] The disagreeable condition of an Empire currency system is, of course, the necessity of centralized control of price levels.

Since the Ottawa Conference it has become possible to visualize a complete Empire chain of central banks, maintaining a close liaison with the Bank of England. And the steps taken since 1933, evidently in pursuance of discussions at the Ottawa Conference, in the creation of these central banks constitute "the outstanding example of regional as distinct from international economic cooperation" during recent years.[65]

Exchange Stability Within the Sterling Area

The special trade agreements between the United Kingdom and the sterling countries, Argentina, Norway, Sweden and Denmark, have been discussed. In the case of Argentina the trade pact does not represent the most important relation of that country, as a member of the Sterling Area, with Great Britain. Of equal importance are the monetary policy and foreign exchange relation with London. The same conclusion applies to the Scandinavian countries. Yet to analyze and interpret these monetary and foreign exchange policies is a difficult task.

The Ottawa Conference adopted the following resolution concerning monetary and financial questions:

> The Conference recognizes the great importance to traders of stability of exchange rates over as wide an area as possible. The complete solution of this problem must await the restoration of conditions for the satisfactory working of an international standard as referred to below. In the meanwhile, and pending such a solution, this Conference has considered the possibility of achieving valuable results in two directions—first by creating an area of stability among countries regulating their currencies in relation to sterling; and secondly, by avoiding wide day-to-day fluctuations between sterling and gold.[66]

[64] *The Round Table*, vol. 22, pp. 467-8.

[65] League of Nations, *World Economic Survey, 1933-34*, pp. 20-21.

[66] Imperial Economic Conference, 1932, *Report of the Conference*, p. 23.

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The declaration on monetary and economic policy, issued at the close of the World Economic Conference of 1933, again emphasized the desirability of a wide area of currency stability, along with higher price levels.[67] There was, indeed, a specific invitation to Scandinavia and other countries of the Sterling Area to pursue a policy of stability with sterling,[68] and thus make possible "the attainment and maintenance of exchange stability over a still wider area"[69] than the British Empire.

It is particularly interesting to note how Sweden, as a member of the Sterling Area, has maintained the link between the krone and the pound.[70] Almost immediately after the United Kingdom left the gold standard in 1931, Sweden followed suit, more quickly even than some of the dominions. Her position was so uncertain at the time that it seemed impossible to pursue any definite policy concerning sterling, despite the close and long-standing connection between the two currencies.[71] Yet it appears that from September 1931 Sweden endeavored, so far as was possible and consistent with her domestic policy, to smooth out the more violent fluctuations in the sterling rate,[72] along the same line later followed in respect of the British Equalization Account.[73] Whether this be true or not, it was possible to achieve approximate stability of sterling exchange in conjunction with stability of the internal price level, and the exchange value of the krone moved in the neighborhood of sterling.[74]

The extent to which the governing factors in this monetary regulation were domestic is very difficult to determine, but it

[67] This was in full accord with the wishes of the "sterling convoy"—including the dominions and Scandinavia.

[68] *The Round Table*, vol. 23, p. 779.

[69] *Ibid.*, p. 783, Appendix II, The Empire Declaration.

[70] See *Explorations in Economics*, especially chapter vii, by Carl Iversen, "The Importance of the International Margin: Some Lessons of Recent Danish and Swedish Monetary Policy".

[71] Midland Bank, *Monthly Review*, October–November, 1932, p. 3.

[72] League of Nations, *World Economic Survey, 1933–34*, p. 28.

[73] Midland Bank, *Monthly Review*, October–November, 1932, p. 3.

[74] *Ibid.*, p. 4.

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is generally agreed that Sweden's adherence to the "sterling bloc" during 1931-1933 was a secondary point of her monetary policy, the cardinal point of which was the maintenance or upward adjustment of internal prices. The relatively stable relationship with sterling is explained by the fairly close agreement between Great Britain and Sweden on general policy.[75]

Since January 1934, the Swedish exchange rate on London has been pegged at 19.40 kroner, notwithstanding the fact that the pound has fluctuated against the dollar and the franc. In consequence of this pegging, the krone has fluctuated with these currencies in sympathy with the pound.[76]

The method by which the krone is kept pegged against sterling apparently depends upon the maintenance of adequate Swedish balances abroad, particularly in London. During 1934 the foreign exchange holdings of the Riksbank increased from 446,000,000 to 533,000,000 kroner, and those of the commercial banks rose to 225,000,000 kroner, giving Sweden a total foreign exchange reserve of 758,000,000 kroner. In 1935, in spite of a considerable unfavorable trade balance, the Bank of Sweden and the joint stock banks' total foreign assets (net balance of current accounts, foreign bills and stocks) increased to 859,000,000 kroner. At the same time gold reserves expanded by 57,000,000 kroner. This increased accumulation of foreign assets is attributable to freight income and interest receipts which more than offset the import surplus.[77]

The gold holdings of the Riksbank are presumably regarded as the reserve of last resort, while the foreign exchange holdings of the Riksbank and of the commercial banks constitute

[75] *Ibid.*, p. 3. Professor Irving Fisher thinks that Sweden's achievement in stabilizing the internal purchasing power of the krone according to the official measure set up for that purpose "will always be the most important landmark up to its time in the history of stabilization." *Stabilized Money* (New York, 1934), p. 408. Others, however, hold that the Swedish experiment gives no support whatever to Professor Fisher's "naïve gospel of price Stabilization". *Explorations in Economics*, p. 70.

[76] *The Economist*, Trade Supplement, January 25, 1936, p. 6.

[77] *The Economist*, Commercial History & Review of 1935, February 15, 1936, p. 20.

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the reserve which is kept in constant use for the purpose of maintaining the fixed link with sterling.[78]

Norway also has maintained its currency at a fairly steady rate in relation to sterling. In 1932 she declared that her krone was "in convoy with the British pound", and expressed her determination not to leave the convoy.[79] Even though stabilization of the krone was regarded as of the greatest importance to trade, stabilization was deemed "indefensible" until sterling was stabilized.[80]

Norway has not built up the formidable foreign balances which Sweden has, but she has nevertheless strengthened her position by reducing her indebtedness abroad.[81] Since the beginning of 1934, there has been a strict adherence of the krone to the "sterling bloc"—the sterling rate of 19.90 being constantly maintained.[82] In August 1934 Norway's sterling assets were increased by a loan of £1,150,000. In 1935 foreign balances (gold and foreign bills) rose by 57,000,000 kroner. Moreover, despite an expansion of 17,000,000 kroner in note circulation, the ratio of gold to notes rose from 52.4 per cent to 66.5 per cent. While the import surplus increased from 159,000,000 kroner in 1934 to 216,000,000 kroner in 1935, this debit item in the balance of payments was far more than offset by freights of some 430,000,000 kroner.[83] Hence the augmentation of gold reserves and foreign balances.

Denmark likewise has followed an exchange policy designed to keep her currency in convoy with the British pound, though perhaps with somewhat greater difficulty. For a time after September 1931, when the pound was freed from gold, Denmark's sterling rate did not change appreciably. On May 24, 1932, the government declared that it would pursue a common Scandinavian currency policy, abandoning the rigid sterling

[78] *The Economist*, March 9, 1935, p. 533.

[79] London, *Times*, April 5, 1932.

[80] *Ibid.*, April 7, 1932, statement of the Norwegian Minister of Finance.

[81] Midland Bank, *Monthly Review*, October–November, 1934, p. 5.

[82] *The Economist*, Trade Supplement, January 25, 1936, p. 6.

[83] *The Economist*, Commercial History & Review of 1935, February 15, 1936, p. 20.

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parity by a slight depreciation.[84] By August, Denmark was able to suspend the compulsory delivery of foreign exchange.

In January 1933, immediately after the depreciation of the pound[85] in New Zealand—which is Denmark's chief rival in the British butter market—the krone was permitted to fall to approximately the same level. In April the Danish government was permitted to float a £1,000,000 sterling loan in London. Beginning with January 1934, the sterling parity of 22.40 kroner has been maintained until the present time.[86]

The building up of sterling balances by Argentina in 1933 and 1934 (along with the pegging of the peso to sterling on January 19, 1934) has been discussed. Other countries of the Sterling Area were following the same procedure. During 1933 the Scandinavian nations, including Finland, along with South Africa, Australia, India and Egypt built up in London an aggregate of short-term assets of some £120,000,000 sterling.[87] In 1934 practically all the Sterling Area continued the accumulation of sterling assets, and exchanges over the whole area remained stable.[88] The improvement in balances of payments, the building up of sterling assets, and the maintenance of stable exchanges have had the effect of increasing solidarity between Great Britain and countries of the Sterling Area.

In following this group policy England has at no time lost sight of the possibility of general stabilization, though not in terms of gold. She has been convinced of the advantages of stability of exchanges among the countries with whom she has close trade relations,[89] but she has maintained that a beginning toward general stabilization must be made by re-establishing on a firm, but new, basis the fundamental triangle of the

[84] London, *Times*, May 26, 1932; May 19, 1932.

[85] From £110 to £125 per £100 sterling.

[86] *The Economist*, Trade Supplement, January 25, 1936, p. 6; *The Economist*, January 2, 1937.

[87] League of Nations, *World Economic Survey, 1933–34*, p. 307.

[88] *Ibid.*, pp. 326-7.

[89] *The Round Table*, vol. 23, p. 739.

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pound, the franc and the dollar.[90] Then, after the remaining currencies have been linked up at new and equitable parities, there may be a gradual removal of exchange restrictions. The general stabilization which Great Britain proposes is apparently to be achieved, not by adopting a gold standard, but by having other nations join the Sterling Area and thus gradually widen the area of stability.[91]

[90] Her ability to secure agreement with the United States and France as to what the new relation should be between their currencies has been, of course, a different matter. On May 13, 1935, the Secretary of the Treasury, Henry Morgenthau, Jr., asserted that whenever the world was ready to seek foreign exchange stabilization, the United States would not prove an obstacle. The only response which this announcement evoked from Great Britain was the reiteration by Neville Chamberlain, Chancellor of the Exchequer, on May 16, that "stabilization is one of our ultimate objectives" but that Great Britain is unwilling to take any steps in this direction until there appears "some prospect of stability of conditions after stabilization has been effected." *Foreign Policy Bulletin*, May 24, 1935, p. 1.

[91] The area of stability was greatly widened, temporarily at least, by the Anglo-French-American currency agreement of September 1936. During the first nine months of 1936 there was a progressive deterioration of the position of the gold bloc, accompanied by an almost continuous stream of gold from Europe to the United States. With the assurance of support from England and the United States, France immediately adopted a drastic devaluation of her currency. The invitation to other countries to join this tripartite monetary arrangement was accepted by Belgium, the Netherlands and Switzerland. Thus, from the collapse of the gold standard in its last strongholds there arose an agreement among the above six powers to use their combined efforts and resources to secure exchange stability. These countries have agreed not to take deliberate steps to depress the value of their currencies in terms of the others. They have agreed, further, to use their respective exchange funds to counterbalance any sudden movements which might arise from private sources and which, if left unimpeded, might cause violent fluctuations in the interrelationship between their various currencies. The Secretary of the Treasury describes the existing system as "a new type of gold standard." It is very difficult, however, to see how the present arrangement can be called a gold standard system in any sense, inasmuch as there is no fixed value of gold in terms of each adherent currency and no freedom of movement of gold, privately initiated, from one country to another.

Mr. Morgenthau, in announcing the monetary agreement, declared: "This will, in my opinion, be the turning point for general peace in the world. A stabilization of world currencies is the foundation that had to be first built before we could look forward to lasting peace and real recovery in world trade" (U. S. Department of State, *Press Releases*, September 26, 1936). Granting the truth of Mr. Morgenthau's observation that stable currency is a first fundamental of peace, we still have to remember that peaceful political

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At the present time the relationship between the pound and other currencies is determined not only by trade conditions in Great Britain, but by those of the entire Sterling Area. If the trade balance between any member of the sterling group and outside countries deteriorates, so long as the fixed link with sterling is maintained, the pressure is inevitably transmitted to the pound.[92] This is true whether the unfavorable trade balance is met by drawing on sterling assets already accumulated or by borrowing the required sums in London.[93]

The concept of a Sterling Area, it must be emphasized again, is extremely loose. Although the influence of Great Britain predominates, the other countries are by no means completely under her control, and not infrequently their commercial relations with her are far from harmonious. There is no question, however, but that these countries are directly affected by Britain's economic policies; and a study of their exchange rates indicates that the course which they follow in regard to currency is determined by the policy pursued by Great Britain.

conditions are equally the first fundamental of stable currency conditions. With domestic disturbances in many countries and with war scares occurring at intervals of increasing frequency, it is difficult to be very hopeful of any lasting stability. Each of the parties to the present agreement retains the right of withdrawal at twenty-four hours' notice. The six-power agreement, therefore, provides nothing more than a day-to-day *modus operandi*.

[92] *The Economist*, March 2, 1935, p. 479. With intervention by the various exchange equalization funds, such pressure, however, may not actually be translated into exchange fluctuations.

[93] A. S. J. Baster argues that this result follows only if the member of the Sterling Area meets its unfavorable balance by borrowing in London. I cannot agree with this argument. Supporting my own point of view is an excellent statement concerning the problem appearing in *The Economist*, Banking Supplement, May 18, 1935, p. 10: "If a country on the sterling exchange standard has a favorable balance of payments not only as a whole, but also with countries outside the sterling group, and uses the surplus to accumulate sterling, the effect will be to strengthen sterling. If she invests the surplus in gold, it will have no such effect. Similarly, if she has to draw upon sterling reserves to meet an adverse balance of payments with non-sterling countries, the effect will be to weaken sterling, while if she merely realizes part of her gold, sterling will not be affected."

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Results of the Ottawa Agreements

To evaluate the results of the Ottawa pacts is practically impossible. The figures in Table III indicate that the agreements have diverted a very substantial percentage of British trade from foreign countries to regions within the British Commonwealth. From 1931 to 1934, for example, there was a 7 per cent increase in the proportion of United Kingdom exports to the Empire, and a 31 per cent increase in the proportion of United Kingdom imports from Empire countries.

Thus, the dominions have secured a relatively greater share of the British market than the United Kingdom has been able to secure in the Empire markets. This great disparity between the advantages gained by the United Kingdom and the dominions has given rise to much criticism. Canada, in particular, is attacked as a chief beneficiary of the pacts, who has granted no substantial concessions in return.

TABLE III

PROPORTION OF OVERSEAS TRADE OF UNITED KINGDOM FROM OR TO BRITISH COUNTRIES [94]

Year	Imports	Domestic Exports
	Per Cent	Per Cent
1924	30.21	41.67
1925	32.37	42.77
1926	30.23	48.09
1927	30.10	46.07
1928	30.41	45.28
1929	29.39	44.49
1930	29.12	43.51
1931	28.73	43.69
1932	35.36	45.34
1933	36.91	44.45
1934	37.07	46.86
1935	37.63	47.97

Since 1931 Canada has increased her sales in the United Kingdom nearly 60 per cent, but she has increased her purchases from the United Kingdom only 25 per cent.[95] In

[94] *The Board of Trade Journal*, February 21, 1935, p. 277; *ibid.*, February 20, 1936, p. 263.

[95] London, *Times*, January 11, 1937.

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1931-32 Canadian imports from the United Kingdom were equal to more than 60 per cent of the value of her exports to the United Kingdom. In 1934-35 this ratio had fallen to 41 per cent. Canada has curtailed her purchases from the United States by 13 per cent during this period, but this has been accompanied by a loss of 5 per cent in her sales to the United States.

TABLE IV

CANADIAN TRADE WITH THE BRITISH EMPIRE AND THE UNITED STATES, 1931–1935 [96]

(in millions of dollars)

Year	United Kingdom		Other Empire Countries		United States	
	Imports	Exports	Imports	Exports	Imports	Exports
1931–32.....	106	174	41	45	351	235
1932–33.....	86	184	34	36	232	143
1933–34.....	105	227	35	50	238	194
1934–35.....	111	274	44	67	303	224

Canada has also been the chief beneficiary of the agreements with other parts of the Commonwealth. Her sales in the Commonwealth, apart from the United Kingdom, have increased more than 50 per cent since 1931, while her purchases have increased less than 8 per cent. This state of affairs cannot, of course, be entirely pleasing to the United Kingdom and other parts of the Commonwealth. Prime Minister Mackenzie King in proposing to revise the agreements may be merely anticipating the inevitable.

The recent Canadian-American trade agreement has been interpreted as a visible sign of cleavage in the imperial trend and a resumption of the national trend. Some of the British, however, are apparently willing to rationalize the situation by viewing the agreement primarily as a step toward a closer British-American entente.

[96] Compiled from *The Economist*, January 18, 1936, Dominion of Canada Special Review, pp. 16, 17.

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In addition to the economic advantages accruing to both dominions and mother country from the Ottawa pacts, there have been significant political gains in the laying of foundations for closer imperial unity in the future.[97] Yet Great Britain is not entirely satisfied with the operation of the pacts. The British Minister of Agriculture has declared that if the dominions have not evinced, by the date of expiration of the agreements, a greater ability to absorb British exports than they have shown thus far, "fewer aces will be dealt out to them in 1937."

The revision of the various Ottawa agreements is now well under way. Such organizations as the Federation of British Industries, realizing that these agreements have brought much greater benefits to the dominions than to the United Kingdom, are demanding action along two lines. They ask, first, that the dominions fulfill their promises made at Ottawa in 1932 (a) "that protective duties shall not exceed such a level as will give United Kingdom producers full opportunity of reasonable competition" and (b) that protection shall be afforded "only to those industries which are reasonably assured of sound opportunities for success." It is demanded, in the second place, that United Kingdom manufacturers be protected from dominion manufacturers who are now, by the aid of lower wage costs and depreciated currencies (in addition to Empire preferences), selling increased quantities in the United Kingdom without expanding their purchases in any comparable degree. Yet so long as the British agriculturists are insistent on protection, British manufacturers are in no position to protest effectively when the dominions adopt protection against British manufacturers. As *The Economist* cynically remarked, "We may yet live to wear Australian

[97] In his speech opening the Ottawa Conference, Mr. Baldwin said: "The real importance of Ottawa lies in the fact that it marks the point where two roads diverge, the one leading to the development of purely national interests, the other to closer Imperial unity. . . . If when our task is finished we can say that we have definitely taken this latter road, the actual distance progressed is of minor importance, because progress will continue, and in the future we shall always be approaching nearer and nearer to the goal." London, *Times*, May 4, 1933.

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clothes; and our Dominions may yet put subsidised British sugar in their tea." [98]

During 1934 Canada, Australia and New Zealand granted certain concessions, designed to allay British dissatisfaction with their failure to implement the pacts sufficiently.[99] The Canadian Tariff Board, in particular, is criticized for its inablity to apply the competitive principle.[100] In fairness to the Board, however, one must admit that it is difficult to see how any board—however competent and however conscientious—could apply satisfactorily a principle which, if carried to its logical conclusion, might stop the flow of all trade between the countries concerned.[101]

[98] *The Economist*, February 15, 1936, p. 355. Since 1924 more than £50,000,000 have been given as a subsidy to the sugar industry.

[99] *New York Times*, April 19, 1934; *The Round Table*, vol. 25, pp. 205-6; *ibid.*, vol. 25, p. 417.

[100] *The Economist*, June 30, 1934, p. 1424. The 1932 agreement has now been replaced by a new agreement between Canada and the United Kingdom concluded at Ottawa, February 23, 1937 (Cmd. 5382). Its provisions contain no mention of the Canadian pledge that protection will be given only to those industries which are reasonably assured of sound opportunities of success, and that the Canadian duties will not exceed a level high enough to give the United Kingdom producers full opportunity of reasonable competition, on the basis of relative costs of economical and efficient production. These omissions are, of course, widely mourned by those who regarded the omitted provisions as among the most important principles established at Ottawa in 1932. British exporters, however, who are certainly the most directly concerned, are raising no serious objections.

The new agreement provides for certain reductions of duties, but it is doubtful whether they will prove sufficient to redress the very unequal advantages enjoyed by Canada during the last five years. An interesting innovation is the provision in article 12 designed to prevent Canadian dumping into the United Kingdom market. The rather curious method for this purpose is as follows: If a Canadian firm is dumping its goods into the United Kingdom (i. e., selling them in the United Kingdom "at less than their comparable selling price" in Canada or at less than "the fair market value for home consumption as determined on the bases laid down in Section 6 of the Customs Tariff of Canada"), and in consequence is affecting the sale of similar United Kingdom goods prejudicially or injuriously, then the United Kingdom goods of the kind or class dumped by Canada shall be exempt from special dumping duties by Canada. As an anti-dumping provision, article 12 is completely novel.

[101] Mr. Neville Chamberlain, Chancellor of the Exchequer, has declared: "Whatever difficulties have arisen over interpretation of the Ottawa Agreements, they did provide a new starting point for an exchange between members

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Conclusions

The special efforts which have been made since 1931 to develop trade with regions under the British flag have demonstrated Great Britain's dilemma in applying the principle of imperial preference.[102] She has encountered, first of all, the need for helping her own agricultural interests, who find their competitors as much in the Commonwealth as in foreign countries. Secondly, her dominions, in spite of their engagements at Ottawa, sternly insist upon protecting their own secondary industries. Thirdly, she has had to face the fact that the Empire is not, and will never be, self-sufficient.[103] Scarcely more than a third of the United Kingdom's total imports come from countries of the Empire, and considerably more than half her total exports are shipped to markets outside the Empire. In granting concessions to dominions she must, therefore, take special care not to inflict serious injury upon her best customers, and hence, upon herself. Likewise the dominions have important markets in countries outside the Empire, for example, Canada in the United States, and India and Australia in Japan. These markets can be maintained only by continued purchases from the countries which buy dominion goods. The substitution of British goods for Japanese or American goods would eventually lead to the drying up of dominion markets in such countries—an excessive price to pay for imperial economic unity.

In spite of the above difficulties, however, substantial achievements have been made in the development of inter-imperial trade. At the same time, non-British countries have been induced to attach themselves to the pound sterling and to grant

of their respective viewpoints and they began a new consciousness of the mutual sympathy which has shown itself over and over again in conversations and conferences with Dominion Ministers.

"I can truly say I cannot remember any period when the harmony between the governments of dominions and ourselves in all matters of common interest—foreign policy, defense, and trade—has been so complete as in the four years elapsed since Ottawa." *New York Times*, October 2, 1936.

[102] *The Round Table*, vol. 24, p. 769.

[103] *New York Times*, August 21, 1932.

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important trade concessions to Great Britain, which have resulted, despite Britain's new protective tariff, in marked trade improvements with these countries.[104]

The various instruments of British commercial policy—the Ottawa pacts, the non-Empire pacts, the preferential treatment accorded the dominions and other portions of the Sterling Area in the matter of foreign lending, the development of central banks in the Empire, and the maintenance of exchange stability within the Sterling Area—are not consistent at every point. Yet these instruments have been instituted to deal with a rather desperate situation, and their unity of purpose as well as their accomplishments must be judged in the light of that fact.

Great Britain's policy within the Sterling Area forms only a part of her general commercial policy. Since its inception in 1931 the British National Government has endeavored to encourage trade by the conclusion of bilateral agreements. This policy requires — in contrast to the older type of tariff agreement, the benefits of which are generalized under most-favored-nation pledges — a series of bargains between each pair of countries, in which most-favored-nation treatment, even where it continues to be stipulated, becomes "hollow and meaningless".

Those who argue that the British Empire is disintegrating economically as well as politically, that instead of imperial self-sufficiency, economic nationalism is everywhere evident, will find considerable support for their contentions in the foregoing pages. The nineteen extra-Empire trade agreements which the United Kingdom has negotiated since 1932, and the Canadian reciprocity agreement with the United States, tell all too plainly that the Empire cannot be made self-sufficient.

[104] In defense of the trade agreements concluded with non-Empire countries, Sir Kingsley Wood declared in Parliament, December 10, 1935, that in the first half of 1935 British exports to foreign countries with which agreements were then in operation were 17 per cent greater than in the first half of 1933 when those agreements were not in operation. The increase in exports to other foreign countries was only 10 per cent. See *Journal of the Parliaments of the Empire*, January 1936, p. 36.

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The centrifugal forces of Empire economics appear to be driving in the same direction as those of Empire politics. Although the special efforts which Great Britain has made since 1931, to forge closer links with her economic and political empires, have not been without substantial results, there is little evidence that she will be able to replace the vanishing political and legal unity of the British Commonwealth of Nations with a new unity of trade and finance.

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SOME ASPECTS OF GERMAN AGRICULTURAL SETTLEMENT *

THE important rôle which the "Junker" class has played throughout Prussian-German history has emphasized the fact that Germany east of the Elbe is a land of large estates. It is not so well known that for several decades this historical characteristic of the region has been subject to gradual modification. In 1882 the large estates (of more than 100 hectares of agricultural area)[1] held 45.2 per cent of the total agricultural area of eastern Germany, but the percentage declined to 43.9 in 1895, 40.5 in 1907 (new boundaries), 40.2 in 1925, and 35.9 in 1933. This reduction is, in large part, the result of deliberate state action, which, according to the existing legislation, will be continued in any administrative district of the East until the large estates have ceded one third of the agricultural area which they possessed in 1907, or until they contain no more than 10 per cent of the total agricultural area.

The governmental activity which has been slowly reducing the domain of the great estates is the Agricultural Settlement, also called "Internal Colonization" before the World War and "Creation of New Peasantry" under National Socialism. Its major function is the creation of new holdings of medium peasant-farm size,[2] intermingled with some smaller units for farm laborers and handicraftsmen. Subsidiary to it is the

* This article is based on part of a report on German policies concerning internal migration, written by the author for the Study of Population Redistribution, under the direction of Professor Carter Goodrich.

[1] The unit of land area for the purposes of this study is the hectare (ha.), approximately equivalent to 2.47 acres. The term "agricultural area" means land available for crops plus permanent pasture.

[2] According to German usage, this means farms of 12.4 to 49.4 acres.

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so-called "adjacents' settlement", i. e., the enlargement of existing small peasant farms. From 1886 to the end of the World War, some 44,000 holdings were created, more than half of them in the provinces of Posen and West Prussia which were surrendered to Poland under the Versailles Treaty. The accomplishments between 1919, when a Reich Settlement Act established new regulations, and 1935 are indicated by the following table. Although agricultural settlement has been carried on also in other parts of Germany, its center of gravity still is in the eastern part of Prussia, owing to the predominance of large estates in that section.

TABLE 1

SETTLEMENT ACTIVITIES IN GERMANY, 1919–1935

Year	Creation of New Settlements			Adjacents' settlement with supplementary lots given as property	
	Number	Total area in 1000 hectares	No. of persons settled	Number	Total area of supplementary lots in 1000 hectares
1919–22	9,328	75.5		31,524	36.2
1923	2,902	29.1	72,539	7,092	8.9
1924	2,797	26.4		4,838	6.6
1925	1,785	15.8		4,026	4.5
1926	1,906	25.5	8,681	3,552	4.5
1927	3,372	36.7	14,483	4,362	5.7
1928	4,253	50.6	17,568	5,552	6.8
1929	5,545	61.2	23,766	6,592	10.5
1930	7,441	79.8	31,733	7,378	15.9
1931	9,082	99.6	39,004	11,795	24.6
1932	9,046	101.9	40,286	9,436	17.8
1933	4,914	60.3	20,719	8,480	17.0
1934	4,931	74.2	20,950	13,654	27.1
1935	3,905	68.3	19,462	13,156	23.1
Total 1919-35	71,207	804.9	309,191	131,437	209.3

The size of the new full-time settlement holding has been steadily enlarged since the enactment of the Reich Settlement Act in 1919. Before the National Socialist government came into power, the holding of 7.5 hectares (18.5 acres), which makes possible the full utilization of one horse, and of 15

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hectares (37.1 acres), which permits utilization of a two-horse team, had become the recognized standard sizes. Since then, the tendency toward larger units has become much more pronounced. As the new farms must be of inherited freehold size, according to the Inherited Freehold Law of 1933,[3] 7.5 hectares became practically the lower limit, and two-horse farms of 15 to 20 and even 25 hectares are now the rule.[4]

TABLE 2

SIZE OF SETTLEMENT HOLDINGS CREATED IN 1919–1935

Year	Percentage of New Settlement Holdings						
	under 0.5 ha.	*0.5–2 ha.*	*2–5 ha.*	*5–10 ha.*	*10–20 ha.*	*20–50 ha.*	*50 and over*
1919–21	36.6	15.9	7.8	12.7	18.3	8.7	
1922	33.6	21.8	9.3	12.0	17.1	6.2	
1923	31.5	10.6	6.0	11.4	30.4	10.1	
1924	38.0	10.4	4.2	6.0	34.6	6.8	
1925	35.6	19.8	5.0	6.1	24.2	9.3	
1926	19.2	14.2	8.4	5.6	39.3	13.3	
1927	22.2	18.2	10.2	8.6	28.5	12.3	
1928	10.7	21.0	10.9	9.5	34.0	13.9	
1929	6.7	22.0	12.2	10.1	38.2	10.8	
1930	2.5	19.6	16.7	12.4	39.9	7.9	1.0
1931	1.4	11.8	16.2	16.7	47.5	5.6	0.8
1932	.9	4.9	10.1	28.1	51.3	4.3	0.4
1933	5.3		7.0	27.2	53.3	6.4	0.8
1934	4.8		7.7	17.2	53.0	15.6	1.7
1935	5.7		5.9	10.3	53.5	21.8	2.8

Until recently, settlement land was provided in the main by purchasing and subdividing entire large estates. During the last few years, reclaimed moor and waste land, mainly in northwestern Germany, state domains, and small tracts, separated from the body of the estate in the course of debt adjustments, have figured more prominently as sources of settlement land. However, large estate land (including state domains)

[3] Under the terms of this law, and their subsequent interpretation, an inherited freehold should provide a decent living for a family of six or seven. Originally a farm of 7.5 ha. was considered sufficient to meet this requirement on average soils, but actually the minimum is closer to 10 ha.

[4] In Germany 20 ha., approximately 50 acres, indicates the border-line between "medium" and "large" peasant farms.

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accounted for almost 87 per cent of the total area used for settlement purposes from 1919 to 1935. Hence, the following pages will be concerned almost exclusively with the changes which take place after such land is devoted to settlement purposes.

Why has it seemed desirable, under governmental systems as different as those of pre-war Prussia, the German Republic, and the Third Reich, to model land distribution in the East along the lines prevailing in the rest of Germany, i. e., peasant ownership with a relatively small percentage of large estates interspersed?

The basic reasoning is twofold. It is contended: (a) that the East is too sparsely settled as a result of the preponderance of large estates; (b) that the migration loss, from which the East has suffered ever since the middle of the nineteenth century, is traceable to the working conditions on the great estates which have driven many of the agricultural workers into industry. Von der Goltz and, particularly, Max Sering[5] have compiled considerable evidence to establish a correlation between the proportion of large estate ownership in an agricultural area and the relative intensity of the "flight from the country."[6] The sparse population of the East long has been considered nationally dangerous because of the pressure of populous regions across the eastern frontier. A replacement of the large estates by peasant farms would remedy the situation, inasmuch as peasant farming is capable of sustaining many more persons per unit of area. Moreover, additional advantages are claimed by settlement advocates: the higher rural birth rate; the greater productivity of peasant farming; the closing of the social abyss between large owners and farm laborers; the stimulation of rural trade and handicrafts by an increase in the density of farm population; and further advance in the direction of economic self-sufficiency. These

[5] *Die innere Kolonisation im östlichen Deutschland* (Leipzig, 1893) (*Schriften des Vereins für Sozialpolitik*, Bd. 56). *Die Verteilung des Grundbesitzes und die Abwanderung vom Lande* (Berlin, 1910).

[6] Recently challenged by P. Quante, *Die Flucht aus der Landwirtschaft* (Berlin, 1933), on the basis of data in the censuses of occupation.

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rational arguments, however, have been on the surface of a movement carried along by two mighty currents of social concern: first, the apprehension, once voiced by conservative economists and statesmen and recently revived by the National Socialist philosophy of "blood and soil", lest a highly industrialized people suffer physical and moral decline; and the political hostility to Junker power which caused the liberal and social-democratic parties to promote settlement during the period of the Weimar republic. Furthermore, the movement has been similar to a crusade for social justice, since landlord dominance in the East is the result of a long series of land deprivations inflicted upon the peasantry by the landlords during the centuries since the region east of the Elbe was wrested from Slavic tribes.

In the following discussion an attempt will be made to determine whether the rational arguments, stated above, have been substantiated by the facts of German settlement, particularly whether it has been possible to increase the density of rural population, to check the fall of the birth rate and to increase agricultural productivity.

I. The Demographic Effect

a. *The increase in the density of the rural population.* In considering the effect of settlement upon the density of the rural population, it is necessary to distinguish between the influence exerted in the specific area used for settlement purposes and that exerted in the larger region, namely, the German East. The high degree of *condensation*[7] attained in the settled area loses its percentage significance when non-settled adjoining territory is included in the basis of computation. It must be remembered, also, that most of the settlers in a given district are drawn from the agricultural population of non-settled regions.

The results of local *condensation* in its narrowest meaning, i. e., in the settlement area, are remarkable. In 1931 Wollenweber of the Institut für Agrar- und Siedlungswesen in Ro-

[7] It is necessary to use this convenient German term, since there is no English equivalent.

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stock [8] published data, referring to the Province of Pomerania, which are derived from the investigations made by pre-war settlement authorities in 1907 and 1912 and from his own survey made in 1928. He found that the attainable *condensation* depends largely upon the difference between the densities of the subdivided estate and the surrounding area. His investigations indicated that, within twelve to fifteen years after settlement, the total population, both working and non-working, increased approximately 50 per cent. In a few areas the increase amounted to 70 per cent or more.[9] After some twelve or fifteen years this increase may be partially checked, if, in the surrounding regions, there is considerable migration to industrial centers.

The use of Wollenweber's 50 per cent rate of increase for purposes of generalization has been criticized by experts, who insist that his data refer only to estates which were very sparsely populated before settlement. However, a survey made by the Statistische Reichsamt [10] for the whole of eastern Germany strongly supports his conclusions. Singling out all post-war settlements, where the entire large estate area has been utilized for settlement purposes, the Statistische Reichsamt found that the number of households increased by 69.3 per cent and the number of persons belonging to them by 66.7 per cent. The number of persons per square kilometer was increased by 13.7, being 34.2 as against 20.5 before settlement.

Considerable as this increase may be, its significance for the whole of Germany or even for the German East is small. If the computed increase of 13.7 persons per square kilometer occurred on all land used for settlement,[11] the total increase

[8] Wollenweber, Hellmut, "Ländliche Siedlung und Bevölkerung", *Berichte über Landwirtschaft*, N. F. 44, 1931.

[9] On the average this meant an increase of 14 persons per square kilometer.

[10] *Wirtschaft und Statistik* (1934), No. 2, p. 62.

[11] On the 13 per cent of settlement land provided by sources other than large estates, the increase of density is probably considerably lower and partially non-existent. Even for most of the land from large estates, the figure of 13.7 persons per square kilometer is too high, since only those estates where the entire area could be utilized for settlement were studied. This extremely favorable condition is the exception rather than the rule.

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in all settled areas, from 1919 through 1935, would have been only 147,000 persons for the entire country, and 85,000 for the six Prussian provinces that constitute the region east of the Elbe. This does not mean, however, a corresponding shift of population from non-agricultural into agricultural occupations. Only one fourth of the 309,000 persons settled in this period (77,000) came from outside agriculture, the remaining three fourths (232,000) were small farmers, refugee farmers, agricultural laborers or farmers' sons with their families. On the other hand, the 162,000 persons, representing the difference between the new settler population and the net increase on settled lands, must have left the settled areas, and it is highly probable that a large percentage of them turned to non-agricultural occupations or even left the rural sections altogether. Assuming that this was true for half of the gross loss of population, and assuming further for the purposes of this computation that the shift of occupation coincided with rural-urban or urban-rural migration both as to incoming and outgoing persons, the country would have lost about 80,000 to the towns as against the 77,000 the towns sent to the country. Apparently, therefore, settlement has shifted persons from one place in agriculture to another, but has effected no direct urban-rural shift.

Actually a *condensation* of agricultural population has been indirectly effected by settlement, since part or all of the persons shifting within the agricultural sector would have migrated to the town if the opportunity to settle had not been offered to them. If this is assumed to be true for all the persons concerned, the increase in agricultural population achieved by settlement over the period would approximate 230,000 for Germany as a whole, which is 1.7 per cent of the agricultural population of 1933. In the East the increase would be about 133,000, which is 3.4 per cent of its agricultural population.[12] Since the program of the Reich Settlement Act of 1919 was only about 60 per cent complete by the end of 1935, its fulfil-

[12] Figures computed as difference between new settler population and half of the persons who were probably driven from their residence by settlement activities.

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ment might have been expected to raise the percentage to something like 3 per cent for Germany as a whole, and to 5.7 per cent in the Eastern provinces. However, if the present trend in settlement policies persists, which is toward larger settlement holdings as well as toward preservation rather than subdivision of the large estates, these figures will never be reached.

The decision to increase the size of settlement holdings, at the expense of possible *condensation* of the agricultural population in the East, was reached early in the National Socialist régime after a fierce struggle between agricultural experts of the party. The more radical wing wanted small farms, a dense population, and aggressive policies against the large owners. The other, headed by Darré, present Reich Food Minister and Chief Peasant Leader, advocated farms which would insure to the new settlers for generations to come a fairly high standard of living, thus enabling them to become part of the "new aristocracy from blood and soil". Darré was victorious.

It must be remembered, however, that the above figures concerning future possibilities refer to settlement on previously cultivated lands only. Sering estimates that there is room for a million people on the moor and waste lands of the Northwest, the cultivable part of which is estimated to be 2.5 million hectares. These reserves have hardly been touched because of enormous cultivation costs. Only 52,000 hectares were prepared for settlement in 1919-1935, and only 4,300 holdings above 2 hectares (4.94 acres) have been established. The National Socialist government started a somewhat more energetic move in this direction, for under a self-sufficiency policy new land ranks very high in the scale of national needs, and large expenses for this purpose are considered justified. The cost was decreased, moreover, by utilization of the cheap labor of the Voluntary Labor service and relief workers. By 1935 the curve of settlement activities on moor and waste lands had again declined, probably as a consequence of industrial recovery and military service which reduced the cheap labor supply. How much of these land resources will be developed

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later depends on the rank new land will hold in the scale of national needs.

b. *The influence upon the birth rate.* Since settlement increases agricultural population only slightly, it is clear that its contribution in checking the fall of the birth rate will never be great. But what are the possibilities and trends within this restricted scope?

The assumption that an increase in the proportion of rural population is equivalent to stimulating the growth of total population was supported by the evidence a generation ago, but during the post-war period the difference between the urban and rural birth rates has been greatly reduced. During the period from 1925 [18] to 1932, for example, the Prussian birth rate per 1000 of population [14] in the towns fell from 19.0 to 14.1, or by 25.9 per cent, but in the rural districts it fell from 24.8 to 17.5, or by 29.4 per cent. For the Eastern provinces, the area of primary importance for settlement, this trend was even more pronounced, as is shown by the table on the following page. The average size of families among the settlers was 4.3 during 1919-1935 as against 6.6 before the War.

Economic recovery, beginning in 1933, was marked by a considerable increase in marriages and births, and the National Socialist government encouraged this tendency by extending "marriage loans" repayable in babies and by offering advantages to married men and heads of families. Moreover,

[18] Data for earlier years are not valid because of the distorted relationship between economic conditions in the cities and in the country during the inflation.

[14] Unfortunately it is not possible to compare rural and urban fertility rates, which, owing to the higher proportion of the reproductive age groups in the cities, would show a much greater difference between reproduction in cities and in the country than the crude birth rates do. The German Central Statistical Office recently promised computation of these figures (see *Wirtschaft und Statistik* [1935], No. 2, p. 78) but has not yet published them. An idea of the difference still prevailing in 1925 may be obtained by the following figures. Live births per 1000 married men under 50 years in Prussia (excluding Berlin): non-agricultural population, 132; agricultural population, 252. In Bavaria: non-agricultural population, 141; agricultural population, 212. Burgdörfer, F., "Der Geburtenrückgang und die bevölkerungspolitische Bedeutung des Landvolks", in *Deutsches Bauerntum*, Heft 2, 1929.

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TABLE 3

THE URBAN AND RURAL BIRTH RATE IN THE EASTERN PROVINCES OF PRUSSIA, 1925 AND 1932

Province	Number of children born per 1000 of population					
	in towns			in rural districts		
	1925	1932	Decrease in per cent	1925	1932	Decrease in per cent
East Prussia	22.7	19.2	15.4	28.6	21.1	26.2
Brandenburg	17.7	14.4	18.6	21.7	14.4	33.6
Pomerania	21.5	17.7	17.7	26.3	17.5	33.5
Border Province Posen—West Prussia	22.9	20.3	11.4	26.9	18.4	31.6
Lower Silesia	20.2	15.3	24.3	26.6	17.6	33.8
Upper Silesia ...	26.5	20.2	23.8	32.4	25.3	21.9

abortion was severely repressed, and apparently contraceptive practices were impeded.[15] The result was a spectacular rise in the general birth rate from 15.1 in 1932, and 14.7 in 1933, to 18.0 in 1934 and 18.9 in 1935.[16] The rise was greatest and most rapid in the large cities. Smaller towns lagged behind, and the rural districts showed the least reaction. The increase in legitimate births from 1933 to 1934 was 37.0 per cent in the large cities above 100,000, 28.5 per cent in the towns of 2,000 to 100,000, and 18.7 per cent in the small communities under 2,000. Correspondingly, the recent decline is greatest in the large cities. This difference in reaction between the country districts and the cities provides some clues as to the reason for the movement. Although a change of mental attitude toward parenthood undoubtedly exists, particularly among

[15] According to F. Burgdörfer, the ratio of normal births to abortions within the Berlin Public Health Insurance Agency was 5900:6100 in 1929, as against 1464:461 in 1934. "Der Kampf um die Wiedergeburt des Volkes und seine Erfolgsaussichten", *Archiv für Bevölkerungswissenschaft und Bevölkerungspolitik*, 1933/34, issue 5, p. 286.

[16] More recently, a slight reversal of this trend is discernible. Computed on the basis of an entire year, marriages during the second quarter of 1936 were 10.2 per 1000 as against 11.5 in 1935 and 12.0 in 1934, and births were 19.6 in 1936 as against 19.7 in 1935 and 18.1 in 1934.

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the better educated and more prosperous elements of the population, the motives seem to have been predominantly of an economic nature—the improved employment situation and the advantages offered to marrying couples — aside from the fear of punishment for abortions. Since the percentage of people with National Socialist convictions is much higher in the country than in the cities, a change of attitude should have been most pronounced in the rural districts, but recovery has been more apparent in the cities, and inducements to parenthood, as well as the drive against abortions, have been applied primarily to the city population. The greater rise in the urban birth rate, therefore, indicates that materialistic considerations have been at least as important as the influence of the mental factor. How far the reduction of abortions is attributable to a real change of attitude, rather than to fear of punishment, is difficult to ascertain, but it seems probable that, for the time being, the latter motive prevails. Burgdörfer, leading statistician on population problems, constantly warns against claiming a victory in the birth rate battle, pointing out that the rise in recent years was probably a temporary tendency caused by an unusual concurrence of favorable circumstances, and bound to be reversed in the near future unless vigorous efforts are continued.

Thus, while for a time the difference between urban and rural birth rates has been reduced, the imminent reversal of the trend may widen it again. However, there is another powerful factor which may induce a renewed decline of the rural birth rate. This is the Inherited Freehold Law with its strong revival of the legal principle of the ancient German law that "the peasant has but one child", i. e., the others are more or less disinherited. Although this law applies to only about 700,000 out of 3,000,000 farm families, stricter birth control within this sector may easily spread to the smaller farms which are not directly concerned.

All this would seem to deprive the "birth rate argument", as used in favor of settlement, of much of its validity. That such may be the case becomes increasingly clear, as one observes settlement holdings being laid out in sizes which auto-

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matically bring them under the Inherited Freehold Law. However, the special susceptibility of the settler population to governmental wishes makes it possible that its birth rate may in the future deviate to the plus side from the general rural birth rate. The legal instrument working in this direction is the new regulation concerning the selection of settlers. It gives preference to party veterans and other politically reliable elements, from whom conformity with governmental desires may be expected. Furthermore, it requires the applicant and his family to produce, in addition to personal statements on their health and that of their ancestors, a testimonial by a public health officer certifying to their individual and hereditary health, to the wife's physical ability to endure repeated childbearing and to the probable desirability of her offspring. Whether these provisions, combined with vigorous propaganda and moral pressure, will outweigh the birth-lowering tendency of the Freehold Law is a matter for speculation.

II. The Economic Effect

One of the arguments, widely used and heatedly discussed, in favor of land settlement in Germany is the claim that agricultural productivity is higher on small than on large farms. This claim is generally put forward by the same persons who stress the power of settlement to increase the density of population. They assume that market deliveries from small farms are equal to, or even surpass, those of the large farms, while a far greater number of persons are fed per unit of area. Opponents retort that the feeding of a larger number is obvious, but that deliveries to the market are lower, and that large-scale settlement would, therefore, endanger the feeding of the urban population. The term "productivity", as used by the disputants, usually means merely yield per unit of area, while yield per unit of labor is seldom discussed.[17] This restricted definition is understandable in a nation where land is

[17] Productivity per unit of capital is almost completely ignored. Probably this attitude is a result of the great stability of the German farm population and the low proportion of change of ownership through sale, as compared with inheritance or deed.

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scarce and labor abundant; nevertheless, land settlement is an activity of such great social importance that every phase of the problem should be given adequate consideration.

In the following pages, therefore, the comparative productivity per unit of area and the comparative productivity per unit of labor (supplemented by a glance at the earnings of the settlers) will be discussed on the basis of data for farms of different sizes [18] and for actual settlements wherever statistics are available.

a. *Types of farming.* In Germany, as in other countries, types of farming on small and large holdings differ rather widely owing to the greater amount of labor (and capital) applied per unit of land area on the small holdings. The availability of a great supply of family labor throughout the year, the desire to obtain a large gross income on a small piece of land, and the necessity to provide for many people enable, as well as compel, the owners of small farms to use intensive methods of cultivation. Under German conditions, this results primarily in the raising of more livestock per unit of area on the small than on the large farms. On the other hand, land utilization does not differ widely on farms of various sizes. Natural, managerial and market conditions, particularly the high protection bestowed upon grain, force much the same rotation of crops upon both small and large holdings.

Nevertheless, there are some important differences. The proportion of land in fallow is usually less on the small farms. In the eastern provinces, for the groups of 5-10 and 10-20 hectares, which correspond to settlement sizes, the total area of sown grasses, meadows and pasture combined is almost exactly the same as on the large estates, but its distribution is different. That portion of the land which is pastured on large estates is used for the more intensive haying on the small ones. The proportion of sown grasses to the total, however, is lower on

[18] The best material on this question is composed of accounting data gathered since 1924 for several thousand farms of different sizes by the Accounting Agency of the German Agricultural Council (now part of the Reich Food Corporation) under the direction of Dr. H. Fensch.

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the small farms. It is probably the abundance of labor which brings about this difference, but this factor is not able to reduce the percentage of meadows, which is determined largely by natural conditions.[19] The necessity of utilizing a large labor supply and of producing considerable feed per unit of area is met by the cultivation of feed beets. The percentage of the agricultural area devoted to this crop, consisting chiefly of carbohydrates, is higher on small than on large farms. Likewise, the percentages of land in grain and potatoes are higher, and a larger proportion of these crops is fed to the livestock on the small farms. Thus, feed production on the small farms is rather high, but less balanced than on the larger ones. While feeds rich in carbohydrates are ample, production of feeds high in protein content, primarily sown grasses, is too small for rational feeding methods.

Among different kinds of grain, rye and oats prevail to a larger extent on the small holdings than on the great estates, while less land is devoted to wheat and barley. This difference is caused only partly by variations in quality of the soils on small and large farms.

Although the proportion of land used for various crops on small and large estates differs but slightly, great differences exist in the respective ratios between crops delivered directly to the market and those converted into animal products. The percentage of total receipts derived from marketed crops is much greater on the large estates, while the percentage of receipts derived from animal products is much larger on the small farms.

As settlers' holdings usually contain from 5 to 20 hectares, and the estates cut up by settlement are 200 hectares and more, settlement tends to change the type of farming in the direction indicated by the above differences between large and small farms. In pre-war times, settlements were known to have increased the density of cattle per unit of area two- or threefold,

[19] According to Fensch, if the labor requirements of grain, dry legumes and oilseeds are taken as 1, meadows, pasture and sown grasses require but 0.5, while roots and tubers require 3.0 on medium and poor soil and as much as 3.5 on rich soil.

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and of hogs three- or fourfold.[20] Investigations of the Institut für Agrar- und Siedlungswesen in Rostock,[21] for a number of old settlements, which could be observed since 1907, contain the following figures on the density of livestock (number per 100 hectares of agricultural area):

	Before settlement	*1907*	*1912*	*1928*
Cattle	14	32	51	56
Hogs	13	56	91	86
Horses	5	7	13	15
Sheep	65	10	6	11

Figues for post-war settlements, too, indicate that settlement markedly tends to raise the density of all kinds of livestock except sheep, the characteristic animal of large-estate management. The increases are generally largest for hogs and next largest for cattle. There is usually an increase in the number of horses, too, which in most instances indicates that small holdings are being overstocked with work-stock.

An investigation by the Institut für Agrar- und Siedlungswesen in Königsberg[22] revealed that the density of livestock per 100 hectares of the agricultural area on comparable large estates and settlement projects in the province of East Prussia was:

	horses	*colts*	*cattle* (total)	*cows*	*hogs* (total)	*pigs*	*sheep*
103 large estates	12.5	4.1	53.0	21.7	30.5	18.7	19.7
8 old projects	21.8	2.4	73.2	37.4	87.5	34.0	—
13 new projects	19.4	2.7	66.8	33.0	75.6	46.9	—
21 projects (total)	20.3	2.6	69.2	34.7	80.1	42.0	—

Because of regional variations in type of farming, these differences are much smaller than those indicated by the pre-war and post-war figures, comparing conditions on the same land before and after settlement. But, in both investigations the

[20] Sering, M., in *Archiv des Deutschen Landwirtschaftsrats*, vol. XXXVII, p. 70.

[21] Summarized in Seraphim, H. T., "Agrarkrisis und Siedlung in Mecklenburg und Pommern", *Berichte über Landwirtschaft*, 77 Sonderheft, 1933, p. 9.

[22] Bräuning, Rudolf, *Die Leistungsfähigkeit des Siedlerbetriebes im Vergleich zum Grossbetrieb, Berichte über Landwirtschaft*, 98 Sonderheft, 1934, p. 24.

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data show that the density of livestock, particularly of hogs and cows, is considerably higher on the settlement projects, and that it apparently increases as the projects grow older.

The Königsberg investigation, which is based on extensive material and compares simultaneous conditions, gives the following figures on land utilization in percentages of agricultural area:

	grain	*all roots and tubers (including potatoes)*	*potatoes*	*sown grasses meadows and pasture*
21 settlement projects	47.1	11.3	7.0	39.7
103 comparable large estates	41.4	9.3	5.6	47.5

In accordance with expectations, the area devoted to grain, feed beets and potatoes is considerably enlarged, while less land is devoted to the more extensive sown grasses, meadows and pasture.

b. *Yields.* The publications of the Accounting Agency of the German Agricultural Council leave no doubt that for some major products the yields of the small farms are smaller than those of the large ones although the gap has been considerably narrowed in recent years by efforts of the peasants. The main inferiorities are in yields of grain per unit of area and in yields of milk per cow. There is no marked difference in yields of potatoes.[23] As to yields of other crops and of meadows, data are not available. Comparisons of the figures for livestock density, which is much higher on small farms, and of the returns from animals sold, which are less high or even lower on small farms, clearly confirm the common view that livestock, particularly cattle, raised on small farms is decidedly inferior to that raised on large estates.

Yields on actual settlers' holdings have been studied in very few cases. According to a dissertation of Reuleaux[24] written under the auspices of the Rostock Institute and discussed in

[23] The yield of sugar beets is often higher on the small holdings but this crop is of little importance on small farms.

[24] *Erträge und landwirtschaftliche Siedlung*, Rostocker Dissertation (Bonn, 1933).

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an article by Seraphim,[25] the yields for Pomeranian settlements (in 100 kg. per hectare) were as follows:

Crop	*Pre-war Settlements*		*Post-war Settlements*	
	Before settlement	*After settlement*	*Before settlement*	*After settlement*
Wheat	19.0	19.5	19.7	19.2
Rye	11.6	13.5	15.9	15.3
Barley	15.4	16.9	18.3	18.6
Oats	13.1	15.3	18.7	17.7
Potatoes	122.0	144.9	148.5	153.6

When these figures are considered, it must be kept in mind (1) that the "after settlement" figures are of the same date for both pre-war and post-war settlements, i. e., that the two series for pre-war settlements include the whole time elapsed since pre-war settlements were founded, and the apparent increases on these settlements may express nothing else but the general trend of increasing yields; (2) that it is not clear whether post-war statistics have been distorted as the result of selecting "before settlement" figures from bad harvest years; (3) that Reuleaux finds increases only where the subdivided estates had compared unfavorably with their surrounding area; (4) that Seraphim himself admits the unreliability of the "before settlement" figures, most of which were corrected in the course of the investigation. In earlier publications of the same Institute[26] it was stated that yields were higher only when the former estate had been mismanaged. Thus, Reuleaux' figures, which are obviously intended to show the superiority of settlement, seem to demonstrate that, under normal conditions, yields on settlement holdings are likely to be lower as far as grain is concerned. This is not surprising in view of the less extensive use of certified seeds by small farmers and settlers alike, and of the less efficient soil cultivation due to the impossibility of using certain machines which

[25] "Die volkswirtschaftliche Bedeutung der Neuschaffung deutschen Bauerntums", *Weltwirtschaftliches Archiv*, 40 Bd., July 1934, Heft 1.

[26] Ley, N., "Das Siedlungswesen in Mecklenburg-Strelitz"; and Eilmann, F., "Die gemeinnützige Siedlungsgenossenschaft Chludowo". Both in *Berichte über Landwirtschaft*, 48 Sonderheft, 1932.

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are advantageous on the large estates. Probably even the higher amounts of manure on the small farms are more than offset by the large utilization of artificial fertilizer on the great estates. Exceptions may occur where extensive soil improvements have been carried through in the settlement process.

As to the quality of the livestock sold by settlers, Bräuning's study indicates that the average slaughter weight of cattle is considerably lower on the settlement holdings, increasingly so the younger the cattle are.[27] His investigation, furthermore, leads one to the conclusion that milk yields per cow are lower on settlement holdings.

It is not impossible, however, that some of these inferiorities may be overcome in the future. This is particularly probable in connection with grain yields. As agricultural education spreads among peasants and settlers, the skillful exploitation of an ample labor supply and the proper use of available fertilizers may offset the advantages of the large estates. It will be more difficult to equalize milk yields and livestock quality. The narrow feed basis is a sizable obstacle, particularly in view of the policy of the present government of restricting each individual farm to its own feed resources. However, there may in the future be some differentiation between new settlers and common farmers in favor of the former, through the intervention of the prospective agricultural adviser who will have considerable influence in the planning and construction stages of his particular project.[28]

c. *Gross returns, market deliveries, "social income".* A comparison of total production on small and large farms reveals that lower yields and poorer quality of livestock on the small farms are offset largely by a greater proportion of intensive crops and greater density of livestock. Gross returns on farms of different sizes in several parts of eastern Germany have been computed for the years 1924-1925 to 1930-1931 by Fensch, director of the Central Accounting Agency of the

[27] *Op. cit.*, pp. 58-59 and 63-64.

[28] "Richtlinien für die Beratung der Neubauern", Decree of the Reich and Prussian Minister for Food and Agriculture of May 23, 1936.

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German Agricultural Council.[29] The results are set forth in the following table.

GROSS RETURNS IN REICHSMARKS PER HECTARE OF AGRICULTURAL AREA

	Size of holdings					
Region	*5–20*	*20–50*	*50–100*	*100–200*	*200–400*	*more than 400*
East Prussia	258	261	254	248	285	259
Northern Germany [30]	372	347	362	416	396	360
Silesia	498	467	542	552	530	—

The significant groups, as far as Eastern settlement is concerned, are the farms of 5-20 hectares on the one hand, and of 200 and more hectares on the other.[31]

It will be noted that the table presented above indicates that the size of the farms has little influence on gross returns. A comparison of the average of the two groups of large farms (above 200 hectares) with the group of 5-20 hectares, however, shows that the small farms of settlement size had slightly lower gross returns in East Prussia and Northern Germany, i. e., in the most important settlement regions, while in Silesia the inferiority is more pronounced, probably owing to the sugar beet production which is concentrated on the large estates. The figures are 258 reichsmarks as against 272 in East Prussia, 372 as against 378 in Northern Germany, and 498 as against 530 in Silesia. This is particularly significant since the figures refer to years when the relationship of prices of animal products to prices of vegetable products was relatively

[29] See *Berliner Börsenzeitung*, No. 377, of August 13, 1932. The present writer feels justified in using data for this six-year period because it was a time of relative price stability. Fensch bases computations of desirable sizes of farm units, ability to pay interest, etc., entirely upon data of this same period. *Cf.* Fensch, H., *Beiträge zur bäuerlichen Betriebsforschung* (Deutsche Rentenbank-Kreditanstalt, Berlin, 1933), p. 9.

[30] Comprises northern Brandenburg, Border Province Posen—West Prussia, Pomerania and Mecklenburg.

[31] According to the Reich Settlement Law of 1919, "large estates" are defined as those with more than 100 ha. of agricultural area. But actually the group of 100–200 ha. never supplied much settlement land, at least not in the East, and will provide even less in the future, since all land in farms up to 125 ha. has become inalienable under the Inherited Freehold Law of 1933. The tendency is to push the upper limit of this law even higher.

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favorable, thus putting the small farms at an advantage. Therefore, it may be concluded that, despite the large animal production *in the most important settlement regions, gross returns appear to be somewhat, though not much, lower on small than on large farms.* As gross returns decidedly decrease on very large estates (more than 400 hectares), small farms compare more favorably with them than with the average of estates containing more than 200 hectares.

When market deliveries, instead of gross returns, are compared, the inferiority of the small farms becomes more apparent. The publications of the Accounting Agency indicate that, in the German East, home consumption plus wages paid in kind per unit of area on farms of 5 to 50 hectares are about one third greater than on farms with 50 to 200 hectares, and about 50 per cent greater than on farms with more than 200 hectares. The effect of these relationships is shown in the following table.

Eastern Germany	*Size of farms*				
Percentage shares in	*5–20*	*20–50*	*50–100*	*100–200*	*more than 200*
Agricultural acreage	27.6	19.3	8.2	8.3	36.6
Total market supply	24.5	17.0	7.8	9.7	41.0
Sale of vegetable products ...	14.0	14.1	7.5	11.2	53.2
Sale of animal products	33.1	19.4	8.1	8.3	31.1

It will be noted that *market deliveries from the small farms are somewhat lower than their percentage in the agricultural area,* whereas the opposite is true for the large estates. This is due to the small sales of crops, which are only partly offset by larger sales of livestock and livestock products.

Neither gross returns nor market deliveries, however, fully express the ability of farms to produce out of their own resources. In order to ascertain this ability, purchases of all materials as well as the depreciation of equipment, incurred in the process of production, must be deducted from the gross return. The resulting value is commonly considered to be the most exact measure of agricultural productivity.[32] As this

[32] The importance of this measure has been stressed by Professor Laur, the Swiss authority on farm management. It is used in the famous publications of the Swiss Bauernsekretariat as well as in German investigations.

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value is the source of the income of all parties participating in the return of the farm—the farmer, the creditor, the worker and the state—it is termed "social income" ("volkswirtschaftliches Einkommen").

It is very significant that the small farms, while inferior in gross returns and gross market deliveries, are *superior to the large estates in social income.* Again, Fensch's data for the German East for the years 1924-1925 to 1930-1931 reveal this relationship very clearly:

SOCIAL INCOME IN REICHSMARKS PER HECTARE OF AGRICULTURAL AREA

	Size of farms					
Region	*5–20*	*20–50*	*50–100*	*100–200*	*200–400*	*more than 400*
East Prussia	154	155	141	130	143	125
Northern Germany ..	220	194	191	213	207	189
Silesia	278	265	269	268	259	—

Taking the average for the groups with more than 200 hectares as typical of the large farms, one discovers that the social income of holdings of settlement size (5-20 hectares) compared with that of large estates is 154:134 in East Prussia, 220:198 in Northern Germany, and 278:259 in Silesia. Expressed in percentages, these figures indicate a superiority of 14.9 per cent in East Prussia, 11.1 per cent in Northern Germany, and 7.3 per cent in Silesia. Evidently this result, a striking contrast to the inferiority of the small farms in gross returns, is brought about (1) by smaller purchases of seed, feed and livestock, and (2) by smaller purchases of fertilizer, made possible in part by the large supply of manure from livestock.

Concerning the productivity of *actual settlement holdings compared with that of large estates*, the above-mentioned study by Bräuning[33] gives almost the only information obtainable. Unfortunately there is some doubt whether his results are not biased in favor of the settlement holdings.[34] Furthermore, the

[33] Bräuning, *op. cit.*

[34] The principal doubt is whether some of the investigated settlement projects were not located on considerably better soil and were not, at the time of purchase, in a better state of cultivation than the large estates compared with them. See the description of soil conditions and cultivation status of the projects

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results of East Prussian settlement are probably not quite representative for Germany or the East as a whole, due to the particularly careful practices of the East Prussian Settlement Agency.

His investigation covers the years 1930-1931 and 1931-1932. It is based on data for 21 settlement projects with 679 holdings of from less than 5 up to 50 hectares in the province of East Prussia. For each project except one, five near-by large estates with "comparable natural and economic conditions" were analyzed. The total number of large estates was 103.[35] For both groups of farms, the so-called "net market deliveries" (gross market deliveries minus purchases of seed, feed and livestock) as well as the so-called "total achievements" (net market deliveries plus household consumption) were ascertained.[36]

For the fully established older projects founded in pre-war times, or in the years 1921-1923, net market deliveries of cattle, hogs and milk are considerably higher than on comparable large estates, whereas those of potatoes and grain are smaller. If 100 represents the sales of the large estates (including sales of their workers from wages received in kind), the respective percentages of the settlement projects are 123

given on page 13 of the study; furthermore the discussion of the comparability on pages 17–19, where it is stated that comparability was assured "with respect to climatic conditions and transportation facilities . . . , *As to the quality of the soil, the possibility of errors is greater . . .*" (italics by present writer). Moreover, inclusion or exclusion of one older and one newer project, the soil of which is inferior to the large estates, alters the average results to a considerable degree. Contrary to Bräuning, who bases his conclusions on the averages which exclude the two poor projects, we will use the averages which include them, in the hope of thus partially offsetting the probable bias in favor of settlement projects.

[35] For one project, only 3 comparable large estates were found.

[36] The "total achievements" are computed on the basis of the market deliveries, by adding data on household consumption which are obtained by multiplying estimated per capita consumption figures by the estimated number of persons on the farms. Unfortunately, the estimated per capita figures are so high as to raise doubts about their reliability. Bräuning himself considers his set of figures on net market deliveries as the much more valuable one.

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for cattle, 179 for hogs, 151 for milk, 82 for potatoes, and 77 for grain.[37]

In order to ascertain the extent to which the advantages of one group counterbalance the advantages of the other, this writer computed the value of the total (net) market deliveries of settlement projects and of large estates on the basis of the market prices of the individual products. As no farm prices are available, and neither the proportion of the single kinds of grain nor the proportion of dairy products in the sales of milk is indicated, the result is merely an approximation. Bräuning's conclusions for the older, fully established projects only have been considered, since the necessity of building up livestock and buying feed renders the figures for the newer projects unsatisfactory. The following table shows the computed value of net market deliveries in reichsmarks per 100 hectares.[38]

Product	*(a) 8 older projects including one poor project*	*comparable large estates*	*(b) 7 older projects excluding one poor project*	*comparable large estates*
Cattle	3455	3496	3656	3505
Hogs	6861	3833	7376	3987
Milk	6085	4031	6694	4110
Grain	6009	7777	6403	7958
Grain which could be produced instead of sugar beets	—	303	—	346
Potatoes	177	216	75	243
Wool	—	148	—	168
Hay	—65	—	—36	—
Straw	—20	—	—17	—
Total	22,502	19,804	24,151	20,317

[37] The "net" figures for grain, which exclude sales of workers receiving wages in kind, are less indicative than those which include such sales.

[38] Prices used:

Cattle: market prices Stettin, large estates: average finished bulls and finished cows; settlement projects: finished cows.

Hogs: market prices, Stettin, 100–120 kg.

Grain: market prices, Königsberg, rye. (The average price for the four kinds of grain, weighted with averages in East Prussia, almost coincides with the rye price.)

Grain instead of sugar beets: market prices, Königsberg, wheat.

Potatoes: market prices, Breslau, red.

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As the above figures indicate, the greater number of cattle on the settlement projects is largely or totally offset by the lower prices paid for cattle of poorer quality, even though the relation of prices chosen may still be rather too favorable for the projects. In all other instances, the same prices were used for both groups. According to this computation, the projects are superior to the large estates by 13.6 per cent if one unsuccessful project is included, and by 18.9 per cent if it is excluded.[39] In view of the doubtful comparability of the projects and the selected estates, because of the better soil of the projects, the difference between the two, in general, may be even less than 13.6 per cent.

Turning from the net market deliveries to the "total achievements", in order to get a measure more suitable for comparing productivity, we find that Bräuning bases his calculations upon the assumption that density of population per 100 hectares of agricultural area is 100 per cent greater on settlement projects than on the large estates.[40] The "total achievements" in kind, therefore, are computed by adding to net market deliveries per 100 hectares certain amounts, representing household consumption, for the large estates and double these amounts for the settlement projects.[41]

Evaluating these amounts in kind in terms of the same scale of prices used for evaluating net market deliveries, and for the same eight older projects, we reach the conclusion that the "total achievements" of the settlement projects are approximately 25 per cent greater than those of the large estates.

(*Footnote continued*)

Milk: 0.09 RM per liter, estimated.
Hay: market prices, Berlin, usual.
Straw: market prices, Berlin, average rye and oats.
Wool: 150 RM per 100 kg. estimated.

[39] In this writer's opinion, the figure including the bad project is preferable. See footnote 34.

[40] Bräuning arrives at this estimate on the basis of the agricultural census of 1925, which shows a particularly large difference in density of population between large and small farms in East Prussia.

[41] It is important in this connection to note that the estimates of per capita consumption are rather high, particularly with respect to meat. This, of course, adds to the advantage of the projects.

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A comparison of the results, thus derived from Bräuning's material, with the general data for small and large farms, prepared by Fensch, reveals that Bräuning's figures are more favorable to settlement.[42] If we accept both calculations as approximative, we are justified in assuming that settlement does effect an increase in productivity per unit of land area, the extent of which will vary, *inter alia*, with the price relationship between products of vegetable and animal origin. During the period covered by Fensch, when this relationship was rather favorable for animal products, the difference in productivity between large and small farms was found to be within the range of 10 to 15 per cent in the sections most important for settlement. Taking into account Bräuning's more favorable figures for East Prussian settlements, we may conservatively estimate that in the long run the increase in productivity, brought about by settlement projects on former large estate land, may, under favorable conditions, approximate 20 per cent while it will usually be closer to 15 per cent.

c. *Productivity of labor.* All statistics on productivity presented so far have been related to the unit of land area. The question now arises: How does the increase in productivity per unit of area, brought about by settlement, compare with the increase in the amount of labor, available as well as applied, which results from the rise in density of farm population?

As was stated above, the supply of human labor in Germany is much larger on peasants' and settlement holdings than

[42] This comparison is justified, since "social income" and "total achievements" differ in the main only in that, in the latter measure, purchases of fertilizer and depreciation of equipment are not deducted. Since the large estates buy somewhat more fertilizer, results on the basis of "social income" should be expected to be a little more favorable for small farms than results on the basis of "total achievements". Neither does this comparison contain a bias due to difference in size groups compared by both authors. If the proportions in which land in farms of various sizes is represented in Bräuning's study are applied to Fensch's data, the relation of small to large farms as to social income is changed very little, namely, from 114.9 to 115.2 per cent in East Prussia, from 111.1 to 109.2 per cent in Northern Germany, and from 107.3 to 105.9 per cent in Silesia.

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on large estates. In the East, the number of persons, per unit of area, working on farms and settlement holdings of 5 to 20 hectares is on the average about twice that on the estates, while in the group of farms of 2 to 5 hectares it is four times as large.

The number of persons available for work on the farms, however, is only one aspect of the problem. For measuring the productivity of labor, the amount of labor actually spent per unit of land area is more appropriate.

Two sets of figures on this subject are pertinent. The first, giving results of investigations on peasant farms in Brandenburg,[43] is based upon the assumption that the labor of women and young lads on peasant farms is equivalent to adult male labor. The results appear in the following table.

TABLE 4

TOTAL WORKING DAYS SPENT ANNUALLY ON CROPS AND LIVESTOCK PER HECTARE OF AGRICULTURAL AREA ON BRANDENBURG FARMS

Size groups in hectares	*good soil*	*medium soil*	*poor soil*	*average*	*ratio*
3.75–15	109.2	110.4	91.6	100.8	100
15–25	82.0	71.2	67.2	70.8	70
25–50	—	53.6	50.8	52.4	52
50–100	55.6	46.4	41.6	45.2	45

As other investigations indicate that labor power applied per hectare does not decline appreciably when the groups of more than 100 hectares are added, we may assume that the difference in labor per unit of agricultural area between large estates and holdings of settlement size is expressed by the relation between the group of the largest peasant farms (50-100 hectares) and the average of the two smallest groups (3.75-15 and 15-25 hectares). This ratio being 45.2 to 85.8, or 100 to 190, the result is that, according to Tismer's method, the small holdings spend nearly twice as much labor per unit of land area as the large ones do. With little variation, this relationship holds for light as well as medium and good soils.

Other authors, however, are of opinion that the work of women and young lads is not equivalent to that of men. For

[43] Tismer, Rudolf, "Betriebsverhältnisse in bäuerlichen Betrieben der Mark Brandenburg", *Landwirtschaftliche Jahrbücher*, Bd. 71 (Berlin, 1930).

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instance, Fensch reduces the work of women and young male workers to adult male work according to an elaborate key. Generally, the labor of women and young lads is evaluated at 66 per cent of adult male labor.[44] By doing so he arrives at the following results:

TABLE 5

TOTAL LABOR SPENT 1925–26 PER 100 HECTARES OF AGRACULTURAL AREA IN ADULT MALE WORK YEAR UNITS

	Size of farms				
Region	*5–20*	*20–50*	*50–100*	*100–200*	*more than 200*
Eastern Germany	—	18.6	14.8	15.8	13.5
Central "	27.7	23.1	20.9	20.5	22.3
Western "	39.0	18.1	19.1	17.3	16.6
Southern "	28.8	22.8	23.7	20.3	20.0

Assuming that the proportion of labor spent on holdings of 5-20 hectares between eastern and central Germany is the same as on farms with 20-50 hectares, 22.5 adult male work year units would be the figure for the gap in the above table (Eastern holdings of 5-20 hectares). Thus the small holdings in the East spend, per unit of land area, 53 per cent more than the average of the large estates of more than 100 hectares, and 67 per cent more than the estates of more than 200 hectares. That this relationship is not quite as unfavorable to the small farms as that indicated by Tismer's computation is due mainly to the higher proportion of female labor.

However, an evaluation of female labor at only 66 per cent of male labor appears rather low, since the work of women is largely concerned with indispensable tasks which do not require great physical strength and could not be performed more efficiently by men. It may, therefore, be permissible to average the results of both investigations.[45] On such a basis the labor applied to a unit of area on the settlement holdings

[44] For details see *Untersuchungen über Landarbeitsverhältnisse*, vol. 7 of the *Verhandlungen und Berichte des Unterausschusses für Landwirtschaft des Ausschusses zur Untersuchung der Erzeugungs- und Absatzbedingungen der deutschen Volkswirtschaft* (Berlin, 1929), pp. 313 *et seq.*

[45] In accordance with the procedure used in comparing productivity per unit of land area, the relation of small farms to farms of 200 or more ha. was used for Fensch's material.

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is approximately 178 per cent of the comparable labor on the large estates.

This high figure is the result (1) of the larger numbers of livestock kept on small farms, (2) of factors reducing labor productivity on small farms, for example, the impossibility of using certain labor-saving machines, scattered and distant location of the fields, etc.

The first factor is eliminated when we compare the amount of applied labor with the productivity per unit of land area as measured by the social income. Assuming that the increase in productivity per unit of land area, effected by settlement, averages 15 per cent, a simultaneous increase of 78 per cent in the amount of labor applied (average of Fensch and Tismer) means a decline in labor productivity of approximately 35 per cent. On the basis of Fensch's calculations alone, the decline would be about 30 per cent.

Thus, settlement in eastern Germany may be regarded as *reducing labor productivity by one third to one quarter* of what it was on the large estates. On the basis of labor available, but not actually applied, the reduction is probably even higher. This explains why some investigators of farm labor conditions frown upon settlement. Tismer, for instance, while fully acknowledging the social importance of settlement, bluntly states that "the labor power of our peasants is much too valuable to be wasted." Although the considerations which induced the present government to increase the size of the farms are not strictly those of productivity of labor, the consequence is, nevertheless, a mitigation of certain disadvantages of the previous settlement procedure.

e. *Earnings of the settlers.* So drastic a reduction in labor productivity, as that outlined above, in an area where formerly the population consisted mainly of poorly paid agricultural laborers, means a low income level for the settlers. This is apparently confirmed by the fact that approximately 50 per cent more people have to be sustained from the same area, while productivity per unit of area is increased only slightly. Moreover, the settlers are for sixty-nine and a half years burdened with annuity payments which are for the most part

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higher per hectare than the interest for debts on peasant farms of the same size, and sometimes even higher than the interest charges on the more heavily indebted large estates.

Statistics are available which indicate that, prior to and during the depression, the annuity payments of settlers not only swallowed up what little net return there might have been, but even took a part of the reward for their labor. The following data for East Prussian farms of different sizes are taken from a paper by Professor Lang,[46] director of the Institut für Agrar- und Siedlungswesen in Königsberg.[47] (All figures are in reichsmarks per hectare.)

(*a*) *Peasants' holdings under 50 ha.*

Year	*Average labor reward and net return*	*Net return*	*Labor reward*	*Average annuity for settlement holdings*
1926–27	60.2	4.8	55.4	46.4
1927–28	80.7	22.3	58.4	46.4
1928–29	89.2	24.8	64.4	46.4
1929–30	93.4	24.6	68.8	69.2
1930–31	99.0	29.0	70.0	67.2

(*b*) *Peasants' holdings of 25–50 ha. and under 25 ha.*

Year	*Average labor reward and net return*	*Net return*	*Labor reward*	*Average annuity for settlement holdings*
1930–31				
25–50 ha.	95	32	63	67.2
under 25 ha.	150	24	126	
1931–32				
25–50 ha.	67	3	64	46.0
under 25 ha.	149	—1	150	

[46] Lang, E., "Produktivität und Rentabilität der ländlichen Siedlung", *Berichte über Landwirtschaft*, vol. XVII, Heft 4, 1933, p. 588.

[47] The "average labor reward and net return" is the difference between the gross return, which includes food raised and consumed on the farm and rental value of the farmhouse, and the total operating costs, including hired labor. It represents the interest on the farmer's investment and on borrowed capital, as well as the reward for his labor and that of his family. If a sum for the reward of this labor is set aside, the remainder is net return (on personal and borrowed capital). In the following computations, the unpaid family labor has been evaluated at the rate of wages paid to hired workers for the same kinds of work in the same region.

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If the combined labor reward and net return for the farms with less than 25 hectares, during the years 1926-1927 to 1929-1930, bore the same relation to that for all farms with less than 50 hectares, as it did in 1930-1031, the figures for farms of settlement size (under 25 hectares), according to the present writer's computation, would be as follows:

Year	*Average labor reward and net return*	*Net return*	*Labor reward*	*Average annuity for settlement holdings*
1926–27	103.7	4.0	99.7	46.4
1927–28	123.6	18.5	105.1	46.4
1928–29	136.5	20.6	115.9	46.4
1929–30	144.3	20.4	123.8	69.2
1930–31	150.0	24.0	126.0	67.2
1931–32	149.0	—1.0	150.0	46.0

In no instance were net returns sufficient to account for the whole of the settlement annuity, not even in the relatively good years from 1928-1929 to 1930-1931. During the period 1927-1928 to 1931-1932, the annuity, besides swallowing the whole net return, took one fourth and later one third of the reward for personal and family labor. This means that the personal income of the settler, including food raised and consumed on the farm and value of the residence, was only two thirds to three fourths of what the family could theoretically have earned by performing an equal amount of labor on other farms.

It is not surprising, then, that annuity payments, which had been taken care of surprisingly well until 1930-1931, became unbearable in 1931-1932 when the agricultural depression brought a ruinous decline in the sale of animal products. Agricultural settlement was saved only by the complete cancellation of all annuity payments from July 1931 to December 1933. Not until 1934-1935, under the protection granted agriculture by the National Socialist government, could annuity payments gradually be resumed. At present they amount to 2.6 to 3.1, instead of the stipulated 4, per cent of the purchase price, and a survey is under way to determine the economic ability to pay annuities of all settlements founded since April 1924—prob-

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ably the prelude to shifting the burden of governmental outlay for settlement onto the general taxpayers' shoulders.

Notwithstanding the proverbially hard and modest living that awaits a settler family, applications for settlement holdings usually have exceeded the number of available holdings. For the most part the applicants come from other agricultural areas. They regard the farm not as a capital investment, comparable to other investments, but as a means of achieving independent ownership and of securing a home for the family, through utilization of the family labor force. The smaller the opportunity of finding occupation elsewhere, the lower the standard of living on the projects can be without repelling the applicant. Perhaps the recent transfer of the new settlement holdings to the status of inherited freeholds is acting as a deterrent,[48] but, on the other hand, the number of holdings offered is sharply declining.[49] Furthermore, acquisition of a settlement holding is the one purpose for which non-inheriting sons of freehold farmers may be adequately supplied with capital, and since this class of the farm population is deprived of most other economic opportunities, it is probable that, under the new conditions also, demand for settlement holdings will surpass supply.

Summary and Outlook

In the preceding sections we have seen that the conversion of large estate land into settlement holdings considerably increases the density of population on the settlement area, but that the increase in productivity per unit of land area is probably much smaller. Since the application of human labor rises almost as strongly as the density of population, a reduc-

[48] See the Annual Report of the Settlement Agency "Deutscher Osten" for 1935 in *Neues Bauerntum* 28, Heft 6, June 1936, p. 268, where it is said that in the province of East Prussia no more large estates were purchased during 1935, "because full-size units are hard to sell."

[49] This is a consequence of the economic salvation of the large estates and sky-rocketing land prices, prohibitive even for mildly subsidized settlement. See Annual Report for 1934 of the Settlement Agency "Eigene Scholle" with remarks on developments in 1935, in *Neues Bauerntum* 28, Heft 2, February 1936, p. 59.

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tion in productivity of human labor is evidently connected with settlement. This factor tends to depress the standard of living of the settlers.

The ability of settlement to exert a favorable influence upon the birth rate was found to be limited, partly because the difference between the rural and urban birth rates is diminishing, partly because of the forces released by the recent Inherited Freehold legislation.

If present political trends persist, the scope of full-time land settlement on subdivided large estate land is likely to be restricted. The agricultural policy of the present government is permeated by a desire to elevate the peasants with larger holdings to the status of a new aristocracy, and to preserve rather than to destroy the large landowner class, including the old landed nobility. As a consequence, no pressure toward converting large estate land into settlement land is exerted, and the restoration of the large owners and the general recovery of agriculture are boosting land prices to a level prohibitive for rational settlement. What settlement land is acquired is laid out in larger holdings than before, to secure a sound foundation for the prospective new "nobility from blood and soil". This, in turn, limits the number of families that can be settled. In doing so, the government doubtlessly counteracts to some extent the undesirable results of decreased productivity of labor, outlined above. It counteracts, also, the former national aim of filling the sparsely settled East with farm families, and, by including new settlements in the Inherited Freehold Law, it may destroy whatever positive influence on the birth rate might have been exerted by the settlement projects. Incidentally, the abandonment of the objective of "filling the East" may be due to influence of the military experts, who realize that a densely populated countryside is unsuitable for military operations.

Because of the larger sizes of full-time farms and the mounting land prices, the cost of new settlement holdings is increasing. This tends to bring about the selection of more well-to-do prospects, and the elimination of the poorer ones. Thus, the advance of farm laborers to full-time farmers will

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occur much less frequently than formerly. The present policy is to provide the new settlers with a stationary permanent labor force, and laborers' units, therefore, are laid out simultaneously with the full-time farms on each new project.

How far cultivation of the moors and waste lands of the Northwest will be carried depends mainly on the financial status of the Reich. If sufficient funds for this costly undertaking are made available, a stronger emphasis on this branch of settlement may be expected. In this field there is no antagonism between the desire to strengthen the layer of medium-sized peasant farms and the reluctance to injure the large landowners. Moreover, cultivation of new land is a direct contribution toward the aim of national self-sufficiency.

MARIE PHILIPPI JASNY

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NEW YORK SLUM CLEARANCE AND THE LAW

IN January 1934, the legislature of the state of New York

> declared that in certain areas of cities of the state there exist unsanitary or substandard housing conditions owing to overcrowding and concentration of population, improper planning, excessive land coverage, lack of proper light, air and space, unsanitary design and arrangement, or lack of proper sanitary facilities; that there is not an adequate supply of decent, safe, and sanitary dwelling accommodations for persons of low income; that these conditions cause an increase and spread of disease and crime and constitute a menace to the health, safety, morals, welfare, and comfort of the citizens of the state, and impair economic values; that these conditions cannot be remedied by the ordinary operation of private enterprise; that the clearance, replanning, and reconstruction of the areas in which unsanitary or substandard housing conditions exist and the providing of decent, safe, and sanitary dwelling accommodations in said areas and elsewhere for persons of low income are public uses and purposes for which public money may be spent and private property acquired.[1]

The significance of this recent declaration of the legislature is in the proposition that slums cannot be eliminated by private enterprise alone. This is now a truism. It has been accepted by our legislators, however, only after decades of fruitless attempts to eliminate slum conditions without disturbing private ownership and private enterprise.

The history of housing legislation in this state reveals three distinct phases; the first phase was marked by purely restrictive legislation prohibiting unhealthy and unsanitary conditions. It covered a period from 1647, when the Dutch still controlled New Netherland, to 1929. The second phase of

[1] Laws of 1934, ch. 4.

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legislation consisted of laws founded upon the belief that decent housing can be provided for low income groups by *private enterprise under public supervision*, the private enterprise being granted a partial tax exemption in consideration of such public supervision. This phase, overlapping the earlier one in point of time, extends from 1926 to the present. In New York City the houses of the Amalgamated Housing Corporation at Van Cortlandt Park in the Bronx, of the Hillside Housing Corporation on the Boston Post Road in the Bronx, and of the Knickerbocker Village in the east side, among others, had their inception in this type of legislation.

The third and most recent phase of housing legislation, and that to which New York seems to be committed at the present time, rejects private enterprise and recognizes that slum clearance and low rental housing for wage-earners in the low income brackets is a *public* responsibility, to be undertaken and maintained by the government. This principle, which was implicit in the public works program of the National Industrial Recovery Act, has been embodied in the statutes of New York since January 31, 1934.[2]

Purely restrictive or regulatory legislation was probably initiated in 1647, when New Amsterdam passed an ordinance designed to restrain chimney fires. For two centuries thereafter public interest in housing was confined largely to the aspect of fire prevention. The first Tenement House Law in the state was enacted in 1867. A reform movement, led by Dr. Felix Adler, resulted in a law, passed in 1887, establishing a permanent Tenement House Commission, prohibiting the use of a structure as a tenement house if there was more than one family on the floor and the hall did not open to the air, and requiring at least one toilet for every fifteen occupants.

In 1895, laws were enacted establishing parks for the lower east side, playgrounds for schools and recreational piers; the name of Jacob A. Riis is forever associated with this reform. In 1900 and 1901, the legislature passed a series of bills which comprised the Tenement House Law. This legislation pro-

[2] Effective date of the Laws of 1934, ch. 4.

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hibited the further erection of "old law" tenements; that is, all new dwellings were required to be built according to new standards for light and air; the number of families allowed on a lot 25′ x 100′ was reduced from twenty-six to twenty-two and in some instances to sixteen. Drastic provisions were designed to insure protection from fire, and a Tenement House Department was created to enforce the law.

In 1929, the legislature enacted the Multiple Dwelling Act, a modernization of the Tenement House Law of 1901. It created new standards for new construction and imposed additional requirements for alteration in "old law" tenements, calling for fire-retarding devices and a toilet for each family. Despite such legislation, "thousands of unsanitary old-law tenements remained standing, monuments to the durability of brick, stone and steel rather than to statesmanship." [3]

"The slums still stand", remarked Justice Crouch. "The menace still exists." [4]

On May 10, 1926, the legislature first attempted to correct slum conditions, by methods other than mere regulations of the type contained in the Tenement House Act, when it passed the State Housing Law which provided for

> the investment of private funds at low interest rates, the acquisition at fair prices of adequate parcels of land, the gradual demolition of existing unsanitary and unsafe housing and the construction of new housing facilities under public supervision in accord with proper standards of sanitation and safety and at a cost which will permit monthly rentals which wage earners can afford to pay. . . .[5]

The statute created the Board of Housing of the State of New York, charged with the duty of selecting areas within slum localities where conditions could not be remedied through private enterprise, and of supervising the erection of new buildings by corporations, provided for by the statute, limited to a return of 6 per cent on their investment and subject to the regulations of the Board of Housing with respect to location of

[3] *New York Times*, December 18, 1936.

[4] New York City Housing Authority v. Muller, 270 N. Y. 333, at 341.

[5] Laws of 1926, ch. 823.

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site, planning of the development, cost of land and building, financing and expenses of operation. The maximum rentals were fixed at $12.50 per room in Manhattan and $11.00 per room elsewhere in the state.

Thus, the State Housing Law retained private enterprise as a factor; but it must operate within the pattern of a limited dividend corporation, the activities of which are almost completely supervised by the State Board of Housing.

The limited dividend corporation has made its work visible in many parts of New York City. The following table shows the various housing projects undertaken by limited dividend corporations, under the State Housing Law, the number of apartments and rooms in each project, the average rental per room, and the total cost of each project.

Project	*No. of Apartments*	*No. of Rooms*	*Average Rental*	*Total Cost*
Amalgamated Housing Corporation 80 Van Cortlandt Park, South, Bronx, N. Y.	629	2441	$9.74	$3,712,380
Amalgamated Dwellings, Inc. 504 Grand St., New York City	231	912	12.22	1,429,215
Farband Housing Corporation 2925 Matthews Ave., Bronx, N. Y.	128	502	9.73	682,485
Brooklyn Garden Apartments, Inc. 723 Fourth Ave., Brooklyn, N. Y.	164	670	10.74	735,590
Brooklyn Garden Apartments, Inc. Navy Yard Project, 104 Adelphi St., Brooklyn, N. Y.	111	395	10.75	426,028
Academy Housing Corporation 758 Brady Ave. and 523 Commonwealth Ave., Bronx, N. Y.	475	1774.5	10.93	1,980,000
Stanton Homes Corporation 193 Stanton St., New York City	44	144.5	12.33	296,740
Manhattan Housing Corporation 176-182 E. 3rd St., New York City	44	165	12.39	279,950
Stuyvesant Housing Corporation 243 Ave. A at 15th St., New York City	95	353.5	12.50	618,686
Hillside Housing Corporation Boston Post Road and East 214th St., Bronx, N. Y.	1,416	4,948	11.00	5,717,871
Knickerbocker Village Monroe, Cherry, Catherine and Market Sts., New York City	1,593	6,030	12.50	9,500,000 estimated
Boulevard Gardens Housing Corporation 54th St., Hobart St., 30th and 31st Aves., Woodside, L. I.	960	3,615	11.00	4,086,600 estimated

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Impressive as these projects are, they represent but small chips off the huge blocks of slums in New York City. In 1933, when federal funds became available for slum clearance purposes, through the medium of the $3,300,000,000 public works program, the legislature grasped the opportunity to enter upon a new phase of slum removal—direct action by the government itself in tearing down substandard houses and erecting model dwellings in their place. The purpose of the Municipal Housing Authorities Law (1934) is to enable cities in New York State to take the necessary steps to clear slums, to provide housing accommodations for persons of low income and to receive the grants and loans available to public agencies from the federal government.

Under the statute, any city in the state may establish an Authority upon the passage of a resolution by its local legislative body and upon the appointment of five members of the Authority by the mayor. An Authority is empowered to prepare, construct and operate projects. A project is defined as a plan or undertaking for the clearance, replanning or reconstruction of a substandard or unsanitary area. As a part of such a plan, the Authority may provide, for persons of low income, housing accommodations either in that area or elsewhere in any section of the city; the right of an Authority to build outside of slum areas is incidental to a slum clearance plan, for an Authority is not given the unrestricted right to build outside of slum areas. Each project may be submitted to the State Board of Housing, which must transmit its criticisms and suggestions.

An Authority may acquire real property by purchase and *it may exercise the power of eminent domain.* It is to be noted that this power, which is the power of the government to take private property, with compensation to the owner, for a public use, is invoked for the first time, in the Municipal Housing Authorities Law, as an aid to slum clearance. A Municipal Housing Authority under this law may request the city to institute eminent domain proceedings, and when the city acquires title to the property, it can convey that title to the Authority upon receiving payment therefor.

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The property of an Authority is exempt from all state and municipal taxes; however, in lieu of taxes an Authority must pay to the city a sum fixed annually by the city, which cannot exceed in any one year the sum last levied as an annual tax upon the property of the Authority prior to the time of its acquisition by the Authority. That is, the amount payable annually by the Authority to the city rests in the discretion of the city, subject to this maximum limitation. An Authority may issue bonds on which the state or city is not liable.

Thus, the Municipal Housing Authorities Law represents the third phase of governmental effort at slum clearance. Private enterprise is rejected and the government itself, through the agency of this Authority, steps in, exercises the power of eminent domain, condemns land and erects model houses for wage-earners and other persons in the low income groups.

In New York City three projects have developed under the Municipal Housing Authorities Law. These are the First Houses at Avenue A and 3rd Street in Manhattan, the Harlem River Houses, now under construction at Harlem River and West 151st Street, and the Williamsburg Housing Development at Maujer Street, Bushwick Avenue, Scholes and Leonard Streets in Brooklyn.

That these projects under complete government ownership, management and control will provide cheaper rental than the projects of the various privately owned limited dividend corporations under the supervision of the State Housing Law is evident from the fact that, whereas in the latter the average rental for each room is well over $10.00 per month, the average monthly rental in the First Houses is $6.05 per room. In the First Houses, the number of apartments is 122, the number of rooms is 369, the approximate total cost of the project is $600,000, and all the rooms are already occupied. The Harlem River House project is a negro development, which plans for the construction of four and five story buildings providing housing accommodations for about 574 negro families. The Williamsburg Development is the first slum clearance and low rental housing project initiated by the New York City Housing Authority and financed by federal

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funds. It is planned to cover twelve city blocks and to provide for a park, playground and school. The construction proposed is to be durable and fireproof, providing adequate housing accommodations for 1,629 families at low rental costs.

Property owners, of course, have resisted every phase of the legislative enactments tending to eliminate slums and slum conditions. The basis of such resistance has been in most cases the contention that the legislature acted unconstitutionally. In so far as New York's slum clearance laws have been attacked, they have been upheld in the state courts. Whether the efforts of the federal government, which will be described below, will likewise withstand the attack of an alleged unconstitutionality is still an open question.

One of the earliest cases in this state sustaining the power of the legislature to regulate dwelling houses was decided by the Court of Appeals in 1895.[6] At that time Trinity Church owned houses on Charlton Street, and the Health Department had ordered the church to alter, repair, cleanse and improve the premises and to install appliances to receive and distribute a supply of water for domestic use on each floor of each of the houses. This order of the Health Department had been made pursuant to a statute in 1887, requiring that every house have Croton or other water furnished in sufficient quantity at one or more places on each floor occupied or intended to be occupied by one or more families. The Health Department had recovered a penalty of $200 against the officials of the church by reason of their non-compliance, and the church appealed upon the ground that the legislation requiring the water to be furnished on each floor was unconstitutional, contrary to due process of law and not a proper exercise of the police power of the state. The Court of Appeals sustained the constitutionality of the legislation as a proper exercise of the police power and said:

> We think the act is valid as an exercise of the police power with respect to the public health and also with respect to the public safety regarding fires and their extinguishment. We can-

[6] Health Department of New York v. Rector, etc. of Trinity Church of New York, 145 N. Y. 32.

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> not say as a legal proposition that it tends only to the convenience of the tenants in regard to their use of water. We cannot say that it has no fair, and plain, and direct tendency towards the promotion of the public houses. That the free use of water, especially during the summer months, tends towards the healthful condition of the body by reason of the increased cleanliness occasioned by such use, there can be no reasonable doubt. The supply of water to the general public in a city has become not only a luxury, but an absolute necessity for the maintenance of the public health and safety. The city of New York itself has spent millions upon millions of dollars for the purpose of securing this great boon for the inhabitants thereof. . . . Those occupants require it more than even their more favored brethren living in airy, larger, more spacious and luxurious apartments. Their health is a matter of grave public concern. The legislature cannot in practice enforce a law so as to make a man wash himself; but, when it provides facilities therefor, it has taken a long step towards the accomplishment of that object. That dirt, filth, nastiness in general, are great promoters of disease, that they breed pestilence and contagion, sickness and death, cannot be successfully denied.[7]

Likewise in 1904, the Court of Appeals, in the case of *Tenement House Department v. Moeschen*, sustained a statute passed by the legislature in 1901 requiring, within two years in all tenement houses in cities of the first class, removal of old unsanitary plumbing. Quoting from the opinion of a Massachusetts court, the New York Court of Appeals said of this type of legislation:

> It belongs to that class of police regulations to which private rights are held subject, and is founded upon the right of the public to protect itself from nuisances and to preserve the general health. The authority of the legislature to pass laws of this character is too well settled to be questioned.[8]

In these cases the regulatory power of the legislature over housing, the first phase of the attack upon slums, withstood the property owners' contention of unconstitutionality.

[7] 145 N. Y. 45.

[8] 179 N. Y. 335.

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The limited dividend corporation method of eliminating slums was likewise attacked in the courts. In *Mars Realty Corporation v. Sexton*,[9] Justice McGeehan, sitting at Special Term of the Supreme Court, Bronx County, dismissed a taxpayer's action brought for an injunction against the Board of Taxes and Assessments; the object of the action was to enjoin the Board of Taxes and Assessments from granting exemptions of taxation to limited dividend housing corporations formed under the State Housing Law of 1926. The plaintiff corporation, not being such a limited dividend corporation, but merely an ordinary real estate owner, contended that it was being unreasonably discriminated against, because it had to pay the regular taxes, while the limited dividend corporations were being granted exemptions. The plaintiff, therefore, asserted that the statute invaded its rights under the Fourteenth Amendment of the Constitution, depriving it of the equal protection of the law. But, as Justice McGeehan pointed out, the Fourteenth Amendment does not take away from a state the power to enact discriminatory regulations which have a reasonable basis and are not arbitrary; if the classification, or discrimination, rests upon the existence of a state of facts which makes it reasonable, the legislation is valid. In dismissing the plaintiff's plea, Justice McGeehan said:

> The State Housing Law was enacted in the interests of all the people of the state for the purpose of solving a problem that had been made the subject of many investigations. The public health and the family life and morals were affected by abominable conditions that had existed for upwards of half a century and had become intolerable. Housing was found to be a permanent problem. Restrictive measures as preventatives, while in a way beneficial, were inadequate to combat the evils of bad housing. Accordingly, the Housing Law was enacted as a progressive measure. The wisdom of this legislation rests solely with the lawmaking bodies of the state. Its novelty is no argument against its constitutionality.[10]

[9] 141 Misc. 622; 253 N. Y. S. 15.

[10] 253 N. Y. S. 23.

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The most notable victory for slum clearance legislation in the courts, however, has been in connection with the Municipal Housing Authorities Law. In *New York City Housing Authority v. Muller*,[11] decided by the Court of Appeals on March 17, 1936, the law was sustained. The case arose out of a condemnation proceeding instituted by the city of New York on behalf of the New York City Housing Authority. The defendant, a property owner whose premises were to be condemned for slum clearance purposes, resisted the condemnation proceeding upon the ground that the Municipal Housing Authorities Law deprived him of due process of law and granted the Housing Authority the power of eminent domain for a use which was not a public one. But the Court held that the law was a proper exercise of the police power of the state, and, moreover, that the use of land in a slum clearance project was a public use within the state's power of eminent domain. In the course of his vigorous opinion, Judge Crouch said:

> The menace of the slums in New York City has been long recognized as serious enough to warrant public action. The Session Laws for nearly seventy years past are sprinkled with acts applying the taxing power and the police power in attempts to cure or check it. *The slums still stand. The menace still exists.* What objections, then, can be urged to the application of the third power, least drastic, but, as here embodied, probably the most effective of all? [Author's italics.]
>
> It is said that private enterprise, curbed by restrictive legislation under the police power, is adequate and alone appropriate. There is some authority to that effect in other states. A sufficient answer should be the page of legislative history in this state and its result referred to above. Legislation merely restrictive in its nature has failed because the evil inheres not so much in this or that individual structure as in the character of a whole neighborhood of dilapidated and unsanitary structures. To eliminate the inherent evil and to provide housing facilities at low cost—the two things necessarily go together—require large scale operations which can be carried out only where there is power to deal in invitum with the occasional greedy owner seek-

[11] 270 N. Y. 333.

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> ing excessive profit by holding out. The cure is to be wrought, not through the regulated ownership of the individual, but through the ownership and operation by or under the direct control of the public itself. Nor is there anything novel in that. The modern city functions in the public interest as proprietor and operator of many activities formerly and in some instances still carried on by private enterprise.[12]

A point strenuously urged by the property owner was that, since his land was being taken to provide apartments to be rented to a class designated as "persons of low income", the use of the land by the government was private and not public. But as Judge Crouch pointed out, though the designated class to whom incidental benefits will come are persons within an income under $2500 a year, two thirds of the city's population, nevertheless "*the essential purpose of the legislation is not to benefit that class or any class; it is to protect and safeguard the entire public from the menace of the slums.*" [13]

Any program of slum clearance involves the expenditure of considerable sums: first, to reimburse the owners of the condemned property for their land and buildings; second, to pay for the cost of wrecking; third, to purchase materials and labor to put up the new housing. The money required for a comprehensive program along such lines in the city of New York alone has been variously estimated; the estimates run from $1,500,000,000 to $4,000,000,000. And there are slums in Chicago, Pittsburgh, New Orleans, Detroit, Boston and dozens of other towns, small and large.

Where will the money come from? The municipal government of New York City cannot raise the billions of dollars, nor can the state of New York. A bill was introduced in the 1937 session of the legislature to provide a state bond issue of $100,000,000 to promote slum clearance and low rent housing. Such a proposal is a mere drop in the bucket, and makes no attempt to attack the problem of comprehensive planning.

While it is true that the state alone cannot finance adequate slum clearance, its financial aid is essential. Such aid cannot

[12] 270 N. Y. 341.

[13] 270 N. Y. 342. (Author's italics.)

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come overnight, for, as Governor Lehman indicated in his message to the legislature on January 6, 1937, an amendment to the state constitution is required; and an amendment must be passed by two successive sessions of the legislature and thereafter be ratified at the polls by the people, a process requiring almost two years.

As in the case of many other types of social and industrial reform, the slum clearance problem has assumed such proportions that those who are interested in its solution have turned to the government of the United States. Participation by the federal government has a twofold aspect. The first is practical. How much financial assistance can be expected from Washington? The second is legal. What is the power of Congress under the Constitution to deal with slum clearance?

The first effort of the federal government came on June 16, 1933, when Congress passed the National Industrial Recovery Act. Although the act was declared unconstitutional by the United States Supreme Court on May 27, 1935, that decision dealt only with the codes of fair competition; it did not touch upon P.W.A., in which provisions were made for "construction, reconstruction, alteration, or repair under public regulation or control of low-cost housing and slum-clearance projects." But sufficient P.W.A. funds were not forthcoming.

Among other factors, the insufficiency of the P.W.A. funds allocated to slum clearance projects resulted in an indirect approach to the problem. Senator Wagner's new Housing Bill (S. 1685, 75th Congress, 1st Session), introduced at this session, calls for a series of federal bond issues which would provide $1,000,000,000 for the next four years; from this, loans are to be made to the various state and municipal slum clearance and housing authorities upon the security of the property. The loans would bear interest equal at least to the current rate of federal interest. Besides the loans, provision is made for annual subsidies aggregating about $12,500,000, granted to the projects to assure their low rent character, that is, presumably to keep rents under a $6 a room level. Planning and management of the projects are largely left with the local authorities.

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The method of attack in the Wagner bill is principally indirect; the federal government is not itself involved in tearing down slums, but lends or grants money to the states and municipalities to do so. Under the P.W.A., the federal government, in some instances, started the slum clearance projects, a direct method of attack. The present trend of expert opinion seems to favor the indirect method.

Let us now consider the constitutional issue as it arises in connection with federal action. In 1935, a federal district judge in Kentucky, in a condemnation proceeding entitled *U. S. v. Certain Lands in the City of Louisville*, held that the federal government was without power to start such a proceeding for slum clearance and low cost housing. The Circuit Court of Appeals, Sixth Circuit, affirmed, two judges to one, on July 15, 1935. The Solicitor General of the United States, however, discontinued the case before it was decided by the Supreme Court, which did not, therefore, pass on the question.

The Louisville case was an action brought *directly* by the United States to condemn property for such a project financed by P.W.A. funds. The District Court dismissed the petition on which the action was based and held that, since the power of eminent domain can be exercised only when the land is to be condemned for "public use", that power could not be exercised for slum clearance. According to the Court, "public use", for purposes of eminent domain, means use by the government in the performance of governmental functions or a use available as a right to all, or a part, of the public. Consequently, utilization of the power of eminent domain in a program which contemplates use of the buildings by a restricted group of private persons, that is, low salaried wage-earners, was unconstitutional.

The majority opinion in the Circuit Court of Appeals followed the same reasoning. It did, however, concede that a state or municipal government could maintain eminent domain proceedings for slum clearance and low cost housing purposes; that slum clearance and decent housing for low salaried workers was a "public use" from the viewpoint of the state or city. But, the Court held, it was not a "public use" from the view-

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point of federal sovereignty.[14] In his opinion Judge Moorman inferred that, if the federal government had power of eminent domain for slum clearance purposes, it could also take over large sections of farming areas, or acquire and operate private factories, thus benefiting only a limited portion of the public.

The national government's direct line of attack on the slum clearance problem was declared void. It may be difficult for the layman to follow the judicial reasoning which condemns the procedure when undertaken by the federal government, but condones it when undertaken by the states. The decision in the Louisville case, however, obviously emphasized the fact that, among the powers reserved to the states under the Constitution, is a power known as the police power, which permits the state to enact laws for the protection of the health, safety, morals and general welfare of its citizens. Slum conditions are a proper subject of regulation under a state's police power, and the exercise of that power properly includes the taking of one citizen's property, paying him just compensation, and devoting the property to the use of another citizen.

Upon closer examination the reasoning in the Louisville case seems fatally weak. First of all, the scope of several decisions of the United States Supreme Court indicates a negation of any distinction between "public use" as applied to state and federal action; that is, if condemnation proceedings can be undertaken by the state, they can be undertaken by the federal government in the sense that the necessary "public use" justifying the state's action would be similar justification for action by the federal government.[15]

Secondly, just as the Circuit Court justified condemnation proceedings by the states for slum clearance by basing the state's action upon the police power, so it could justify federal condemnation proceedings by basing the federal government's action upon the power expressly granted to Congress in the

[14] 78 Fed. 2nd, at 687.

[15] See Strickley v. Highland Boy Gold Mining Co. (1906), 200 U. S. 527, at 531; Mt. Vernon Woodberry Cotton Duck Co. v. Alabama Interstate Power Co. (1916), 240 U. S. 30, at 32.

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Constitution, "to lay and collect taxes, duties, imposts and excises, to pay the debts and provide for the common defense and general welfare of the United States." [16]

Since Judge Moorman wrote his opinion voiding federal slum clearance action (July 17, 1935), the Supreme Court has thrown additional light on the nature of the power of Congress to provide for the general welfare of the United States. This clause has long been a subject of debate. James Madison maintained it amounted to no more than a reference to the other powers enumerated in the subsequent clauses of the same section, and that, as the federal government was a government of limited and enumerated powers, the grant of power to tax and spend for the general national welfare must be confined to "enumerated legislative fields committed to Congress." Alexander Hamilton, on the other hand, argued that the clause confers a power separate and distinct from those later enumerated, that it is not restricted in meaning by the grant of the later enumerated powers, and that its only limitation is the requirement that the acts of Congress, based upon it, provide for the general welfare of the United States. Justice Joseph Story adhered to the Hamiltonian view.

For the present, the United States Supreme Court has apparently resolved the classical difference of opinion in favor of the Hamiltonian view adhered to by Joseph Story. This was done in the case of *United States v. Butler*, decided January 6, 1936, wherein, strangely enough, Justice Roberts condemned the Agricultural Adjustment Act. However, in his remarks concerning the general welfare clause he said: "Study of all these [views] leads us to conclude that the reading advocated by Mr. Justice Story is the correct one."

If the Louisville case should come up for decision today, the federal courts might hold that the general welfare clause confers upon Congress a separate, distinct and important source of power, wholly independent of the other powers granted to Congress in the Constitution, and that the elimination of slum conditions and the placing of the poverty-stricken

[16] Article I, section 8.

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sections of the population in decent houses are acts designed "to provide for . . . the general welfare of the United States." [17]

But a word of caution should be thrown out, lest Mr. Justice Roberts receive extravagant praise for deciding that the general welfare clause gives Congress a separate, independent and substantive power. His opinion in the A.A.A. case also interpreted another important section of the Constitution, the Tenth Amendment, which provides: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people." Justice Roberts ruled that the A.A.A. was an attempt by the federal government to regulate or control agriculture and the use of land within the states; that in giving benefit payments to farmers who curtailed their production, Congress was not merely spending money to provide for the general welfare, but was actually regulating and coercing and compelling the farmers to use their lands in a certain way; that because such regulation of the use of the land was a power reserved to the states, the A.A.A. was thereby rendered an infringement and violation of the Tenth Amendment and was therefore void.

We must now consider whether federal slum clearance constitutes an infringement of the Tenth Amendment, because the various states, under their police power, reserved to them by the Tenth Amendment, likewise have the authority to undertake such slum clearance programs. I contend that the Tenth Amendment would not be infringed. Significantly enough, similar arguments based upon the Tenth Amendment were presented against the federal government in cases in-

[17] Judge Allen who dissented from Judge Moorman's opinion in the Louisville case maintained that it was on the basis of the welfare clause that Congress had established the Bureau of Education, the Department of Labor, the Department of Commerce, the Public Health Service, the Geological Survey, the Bureau of Mines, the Department of Agriculture, the Bureau of Fisheries, the Children's Bureau, and the Smithsonian Institution; that if Congress could spend large sums of money on these projects merely because of its power to provide for the general welfare, it certainly could spend money for slum clearance.

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volving vigorous attempts to prevent the government from acting in the regulation of the liquor traffic and of white slavery. But the Supreme Court sustained the government in *Hoke v. United States*,[18] and *Hamilton v. Kentucky Distilleries and W. Co.*[19]

Is federal slum clearance a prohibited regulation of private enterprise and of the use of land within a state? I do not believe that it is. Of course, if the federal government confines itself to the indirect line of attack, and merely gives money to the states and lets the states carry out condemnation proceedings, tear down the buildings and construct new houses, the case for slum clearance is somewhat stronger. For in that instance Congress would merely be spending money. It would not be engaging directly in the regulation of the use of land within the states.

But even the direct line of attack, it seems to me, can be sustained. When the government, state or federal, condemns a parcel of land and pays the owner just compensation, in other words, when it exercises the power of eminent domain, it is not regulating private activities. The true significance of "regulation" by the government implies compulsion upon a person conducting a business, engaging in an occupation, or maintaining a parcel of land and buildings, to conform to certain regulations in carrying on those activities. Thus, when the state of New York through its Multiple Dwelling Law directs that the landlords in New York City shall provide one toilet for each family, the state is *regulating* the use of land. This, according to Justice Roberts, the federal government may not do. But slum clearance under federal condemnation proceedings is not that type of regulation.

The maintenance by a government, state, federal or municipal, of its own property, whether that property be a post office, a power plant, a water works system, a transportation system, or a model dwelling house for low salaried workers, is not a regulation of private business and private ownership,

[18] 227 U. S. 308.

[19] 251 U. S. 146.

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except in a remote and indirect way. We must remember that it was public regulation of private business which Mr. Justice Roberts condemned in the A.A.A. case.

The purpose of any distinction between public regulation of private business and public ownership and management of business, as applied to the slum clearance problem, is to show that while the federal government has no police power to regulate the private business of landlords, and indeed is forbidden by the Tenth Amendment to indulge in any such regulation, ownership and management of decent dwellings by the federal government is quite another matter. It is an open field of federal legislative activity, constitutionally permissible under the grant of power to Congress to provide for the general welfare of the United States. It is not an infringement of the reserved rights of the states under the Tenth Amendment, nor, more particularly, is it an infringement of the states' police power to regulate private business.

The grant of constitutional power to the Congress to provide for the general welfare is clear. The necessity for Congressional action to destroy the horrors of the slums is clear. Direct action by the Congress to tear down the filth of our tenements, or financial assistance by the Congress to enable our states and municipalities to do so, is an appropriate and reasonable means to accomplish a legitimate purpose—to provide for the general welfare of the United States.

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THE EUROPEANIZATION OF THE ORIENT

THE use of the term "Europeanization" or "Westernization", to denote the political, social, economic and intellectual transformation now in process in all countries of Asia and northern Africa, has been criticized recently by some Orientals. To a certain extent the criticism, which springs from the newly aroused nationalistic spirit of the Oriental peoples, is justified. The process of transformation, to which the term refers, consists of the adoption and adaptation of forms of life and production which were first developed among the intellectual classes and the rising bourgeoisie in certain western European countries. These new forms of thought, life and production can be, very roughly and approximately, summarized as rationalism, individualism and industrialism. Their dynamic force undermined and revolutionized the intellectual attitude, the social life, and the economic structure of the Occidental countries. Modern civilization, as we may call the new ways of life and production arising in the eighteenth century, spread from the classes and countries where it originated to other countries and classes. Wherever it penetrated, it destroyed the traditional structure of society. This expansion was immanent in its very nature.

The countries and classes which had first experienced modern civilization wished to reserve its advantages for themselves and to base their strength and their claim to superiority upon the exclusive possession of those advantages, but by its appeal to reason, individuality and progress, instead of traditions and precedent, this civilization had from the beginning a universal scope and meaning for all classes and nations. Its diffusion from certain classes and localities in western Europe to all the classes in every part of the earth was an uneven process. Even today in western Europe there are individuals, groups, localities and ways of life less integrated than others into modern civilization. But the process of integration gives to the nineteenth and twentieth centuries an unmistakable stamp.

This was clearly foreseen in 1848 by Karl Marx and Friedrich Engels, when they wrote in their *Communist Manifesto,* rightly interpreting the tendencies which had only started to manifest themselves:

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> In place of the old local and national seclusion and self-sufficiency we have intercourse in every direction, universal interdependence of nations. And as in material so also in intellectual production. The intellectual creations of individual nations become common property. National one-sidedness and narrow-mindedness become more and more impossible and from the numerous national and local literatures there arises a world literature. The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communications, draws all, even the most barbarian nations, into civilization. It compels all nations, on pain of extinction, to adopt the bourgeois method of production; it compels them to introduce what it calls civilization into their midst.

This prophecy has meanwhile been fulfilled. Marx in an understandable one-sidedness speaks of "bourgeois" civilization as others in an understandable one-sidedness call it a "white man's" civilization. In reality modern civilization, which the white man and the bourgeoisie successfully exploited for their own purposes for a long time, has spread to the masses and to non-white countries. Such twentieth-century phenomena as the "revolt of the masses" and the "revolt of the East" originate in the penetration of modern civilization to the masses and to Oriental countries. They create part of the crisis in which mankind today finds itself. They demand a readjustment to this unprecedented expansion. Notwithstanding the difficulties involved, this expansion is not to be regretted. It is unavoidable; it represents the triumph and fulfilment of modern civilization.

Since it originated in western Europe and spread from there, we may call the transformation going on today all over Asia and northern Africa a process of Europeanization or Westernization, although strictly speaking it is a phase of adoption and adaptation of modern civilization similar to that of the eighteenth and nineteenth centuries in European and American countries. The forms of adaptation vary from country to country and from class to class. As in European nations, all kinds and degrees of transition and fusion, of the traditional and the modern, can be observed. Much in the tempo of the process depends upon the government: it is fastest where national governments promote it; it is slowest where colonial governments try to impede its development. This effort at retardation is rarely, if ever, consciously undertaken. It springs from an easy-going misinterpretation of the tendencies of history, from an obstinate belief that modern civilization is reserved for, or beneficial to, certain races and classes only. Such convictions and interpretations generally

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coincide with the real or supposed interests of the imperial peoples. But in all countries of Asia and northern Africa the process of Europeanization goes on with similar manifestations and consequences.

Since the World War, the Europeanization of the Orient has been characterized by three traits which have intensified and extended the process to a degree entirely unknown before 1919. The first of these traits is the penetration of Europeanization from a narrow stratum of upper middle class intelligentsia to the broad masses of the people. The second is the realization that modernization of the political and intellectual life of the country, that equality with European nations, is entirely impossible without a thorough reorganization of economic life. The third is the ready acceptance of modern civilization, not only because there is danger of extinction without it, but also because its potentialities for higher standards of life for the masses are recognized. These new trends demand a concentration of all the intellectual and moral resources of the Oriental nations in an effort to transform the traditional social and economic order. It is accompanied by the awakening of the masses from their age-old lethargy; it creates new problems for education, for agriculture, for labor—problems which are not very different from those which many European nations faced a century ago.

Thus we find in all the Oriental countries today stages of transition similar to those through which Europe passed in the nineteenth century—the growth of industrialism, the emergence of the individual from the traditional restraints of family and clan, the urbanization of the countryside, the spread of modern education, the transformation of religion under the impact of rationalism. The same process is going on throughout the Soviet Union with its mixture of European and Oriental races, in those parts of Europe, like Spain, which during recent centuries have remained outside the general European development, and in Latin America. The transformation is everywhere still far from completion. It has gone farthest, perhaps, in the Soviet Union, in Japan, and in Turkey. Although impeded and retarded by many obstacles, in India and China, it is of special importance on account of the size of the populations involved. An analysis of the process in one country is valid, in its main trends and conclusions, for all the other countries. During the last ten years a large number of treatises have appeared on different aspects of Europeanization in the various countries of the Orient. Most of them, however, fail to see the implications of the process for those countries where the

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masses during the nineteenth century had remained outside the impact of modern civilization.

The nation which attracts most attention, because its early acceptance of modernization enabled it to become the first of the backward countries to achieve the status of a great power, is Japan. Its rise and its industrialization, which seem to threaten the economic and political hegemony of the white races, have been discussed in many studies. Dr. Ernst Schultze has consecrated two volumes of about 1050 pages to the subject.[1] They constitute an encyclopedia of modern Japan, with special emphasis upon the industrial situation and upon Japanese character and psychology. Observations of the latter type are generally subjective, and Dr. Schultze relies heavily on secondhand judgment and information. His personal viewpoint, for instance, his dislike of the League of Nations and of the Soviet Union, is freely expressed. Nevertheless the book contains a wealth of information and is written in a clear and popular style.

The great problem of Japan, it seems to me, arises from the lag between the highly modern industrial and technical equipment, on the one hand, and the prevalent pre-modern social and mental attitudes, on the other hand. In the Western world the intellectual transformation preceded the industrial one; rationalism opened the way for modern economic enterprise and social organization. In Japan an effort was made to preserve as far as possible the old intellectual and social order, equipping it only with the devices of modern technique. The future will reveal whether Japan can maintain such a system in times of crisis, or whether it will be forced to proceed to a thoroughgoing modernization and readjustment of the mental and social attitude underlying its present life. The problem of industrialization is an extremely complex one and cannot be separated from the all-pervading transformation of the whole social life of a country.

The effects of the growing industrialization of Japan, China and India on Western countries, especially on Great Britain, are analyzed in a detailed and scholarly manner in Dr. Hubbard's volume published by the Royal Institute of International Affairs in London.[2]

[1] *Japan als Weltindustriemacht*, by Ernst Schultze. Vol. I: *Die weisse und die gelbe Gefahr: Japans gewaltsame Erschliessung und wirtschaftliche Entwickelung;* Vol. II: *Japan als Exportindustriestaat.* Stuttgart, W. Kohlhammer, 1935. 553; 530 pp. RM. 18.— each, or RM. 34.— bound in one volume.

[2] *Eastern Industrialization and Its Effect on the West, with Special Refer-*

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The volume concludes with a brief comment by Professor T. E. Gregory which seems to me to sum up concisely and sagaciously the consequences of the Europeanization of the Orient, at least so far as its economic phase is concerned.

> Whatever the causal sequence may be, it is clear that we should view the Eastern scene in the light of our own historical experience and recognize that the ultimate condition for a rise in the Eastern standard of life is such a balance between population growth and technical progress as to permit of a surplus which will raise the *per capita* welfare of Eastern populations. The attainment of this surplus . . . is only possible . . . by means of industrialization. . . . The East is reproducing the conditions which made for the most rapid economic growth in other parts of the world in a not very remote past (pp. 364-5).

The consequences of this industrialization of the East will have far-reaching effects for the whole world. Mr. Gregory does not close his eyes to the coming difficulties, nor does he exaggerate them. He points out

> the important truth that an expansion of production over a large part of the world, accompanied by expanding population and a rising standard of life, is not fundamentally inconsistent with the continued well-being of the rest of the world, or, indeed, with a growth of that well-being. But it does not in the least follow from this that such a development may not be permanently inimical to particular functions of the non-Eastern world, or that this development may not involve grave problems of inter-adjustment which, until they have taken place, may prove to be inimical to large portions of the non-Eastern world (p. 367).

But, as Professor Gregory rightly remarks, "Industrialization is the only possible solution for the appalling absolute standards of life in the East. . . . It follows that, difficult as the problems of adjustment may be, they remain subsidiary, not in the sense that solutions are easy to find, but in the sense that they flow from an historical process which cannot be resisted, and which ought not to be resisted" (p. 371).

In the process of the Europeanization of the Orient the Soviet Union plays a very important rôle. This rôle is a dual one. On the one hand, Europeanization, under careful governmental control, goes forward in the Soviet Union with greater intensity and rapidity than elsewhere. All the elements of the process are present—in-

ence to Great Britain and Japan, by G. E. Hubbard, assisted by Denzil Baring. London, Oxford University Press, Humphrey Milford, under the auspices of the Royal Institute of International Affairs; New York, Oxford University Press, 1935. xxii, 395 pp. $7.00.

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dustrialization, modernization and diversification of agriculture, the fight against tradition and superstition, the support of mass education to combat the old lethargy and backwardness. On the other hand, the Soviet Union was the first European power to repudiate the classification of mankind as progressive, or white, and backward, or colored, races. Complete equality was given to all the races in the former Russian Empire, and Oriental states, such as Turkey or Persia, were treated as equals for the first time since modern imperialism began. Consequently, the Soviet Union has stimulated the movement toward modernization of the Orient, and, as a result, the tendency towards "decolonization".

In the old Russian Empire the political and economic center of gravity was entirely in the European part, but in the Soviet Union it has shifted toward the Asiatic. This shift and the progress of industrialization have profoundly affected Soviet trade in the East. Miss Violet Conolly, who has studied in a previous volume the economic relations of the Soviet Union with Turkey, Persia, Afghanistan, Chinese Turkestan and Outer Mongolia, now presents an exhaustive analysis of the Soviet trade in the Far East.[3] Although the Soviet economic relations with the Levant countries are briefly discussed, the main part of the short book (it contains 125 pages of text—the remainder consists of decrees, agreements and statements bearing on the subject) is devoted to the economic interests of the Soviet Union in the Far East, preceded by a short chapter on the Soviet Far Eastern region. To a certain extent the volume supplements the study by Dr. Hubbard; together they furnish a good background for the economic problems of the whole of eastern Asia. Miss Conolly, limiting her material to the economics of trade, fails to consider the social and political conditions and tendencies which would reveal the significance of foreign trade data for the countries discussed. Consequently, her volume presents a picture which, as she admits, seems inchoate.

In the Soviet Union, as in the whole Orient, the process of transformation has not gone far enough to warrant any definitive summaries of achievements. The most that one can do is to report developments and trends. This becomes clear in studying a country like India. Although the number of factories and factory workers

[3] *Soviet Trade from the Pacific to the Levant, with an Economic Study of the Soviet Far Eastern Region*, by Violet Conolly. London, Oxford University Press, Humphrey Milford; New York, Oxford University Press, 1935. x, 238 pp. $3.75.

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in India at the present time is large, it is still insignificant for so vast a country. Primitive agriculture remains dominant. What is more important is the fact that the greatest leader of Indian politics and thought in the present century has been opposed to any real modernization of Indian life. Notwithstanding the long period of British rule, the Indians, like the Chinese, have only recently turned their attention to modern economics. Their first books on economic problems appeared at the turn of our century. Although such works have increased in number and improved in quality during the last ten years, and although a number of economic journals and research institutes have been founded, India is but beginning its investigation of modern economic thought.

Shib Chandra Dutt[4] has contrasted Gandhi's ideas on the economic future of India with those of Benoy Kumar Sarkar, who is an enthusiastic champion of Indian industrialization. Sarkar aims at a complete industrialization of India's economic and social life, and he believes that socialism is the end toward which modern economic organization is gradually tending. In a speech in Calcutta in 1926 he said:

> In the near future the legal, economic, and political relations between nations are going to lose much of their traditional significance. International intercourse bids fair to assume the character of a round table study of the raw materials, human agencies, and financial resources of the world with a view to the fullest utilization of each in the interest of the happiness of mankind. The patriots and nationalists of the different sections of the world must have to reshape their philosophies and policies en rapport with the demands of this new era of interdependence, mutual exploitation, and world economy.

Sarkar thinks that the economic revolution of India will and must follow the lines laid down by the advanced countries. "Whatever has happened in the economic sphere in Eur-America during the last half century is bound also to happen more or less on similar or even identical lines in Asia, and of course in India, during the next generation or so."

Dutt is an enthusiastic follower of Sarkar, and he dedicates the book to the Vice-Chancellor of the University of Calcutta, whom he addresses as an "ardent advocate of industrialization". Many Indians may not follow all the details of Sarkar's thought, but there

[4] *Conflicting Tendencies in Indian Economic Thought*, by Shib Chandra Dutt. Calcutta, N. M. Ray–Chowdhury and Co., 1934. vii, 225 pp. Rupees 5.

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is no doubt that the young intelligentsia in India today does not choose Gandhi's way in the determination of India's future, but accepts the desirability of a complete modernization of Indian life. The two most important books published by leaders of Young India during the last year, Subhas C. Bose's *The Indian Struggle 1920-1934* and Jawaharlal Nehru's *An Autobiography,* bear unmistakable witness to the parting of the ways between the younger generation and Gandhi, who still receives veneration, however, for his unique services.

The industrialization of India, as far as it has gone, has created labor problems not unlike those which disturbed Europe several decades ago. Dr. Ahmad Mukhtar has written a useful book [5] outlining the present situation. The historical introduction reveals the weakness of the trade-union movement in India. In the years 1921-1933 there were 2,317 strikes, of which about one half were confined to the textile industry, and about three quarters occurred in the provinces of Bombay and Bengal. Most of these strikes, which concerned questions of pay, were lost. Of 275 strikes in the jute mills only 22 were successful and 28 partially successful, whereas 225 failed. They involved 1,315,678 men. The situation is virtually the same in the cotton and woolen industries. It is even more unfavorable for the workers in the strikes which concerned railways and mines.

The Indian trade unions, first legalized in 1925 by a Trade Union Bill, which was amended in 1928, show all the signs of infancy—a constant change of personnel and a frequent disintegration of organizations. The attitude of the employers is in most cases not helpful. In the year 1932-1933 there existed 170 registered trade unions. Of them 147 sent in statistics concerning their membership, which was then 237,369, including 5,090 women. Notwithstanding the very short time in which trade unions have existed (the number of registered trade unions in 1927-1928 was only 29), some of them are already well advanced in their program of organization and reform, have well-administered benefit schemes for their members, conduct welfare work, and support evening classes and reading groups. Mr. Mukhtar discusses in detail the work of the Ahmedabad Textile Labour Association, which is probably the most progressive of the trade unions today, the effort of the government to regulate strikes through arbitration boards and trade disputes acts and, finally, the different activi-

[5] *Trade Unionism and Labour Disputes in India,* by Ahmad Mukhtar. Bombay and New York, Longmans, Green & Co., 1935 and 1936. xi, 251 pp. R 6/–; $4.50.

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ties of the All-Indian Trade Union coöperation which started in 1920. In May 1934 an Asiatic Labour Congress was held in Colombo, Ceylon, at which the trade unions of India and of Japan were fully represented. The Congress requested the International Labour Office to secure the direct representation of the colonies and dependencies of member states, and to make it obligatory on the member states to enforce conventions ratified by them in their colonies and dependencies.

Of all the Oriental countries, with the exception of the Oriental parts of the Soviet Union, Turkey has traveled farthest in the direction of a complete modernization of her national life. Here, as in the Soviet Union, modernization has not been confined to an introduction of modern industrialism and technique; it has penetrated into the everyday routines of life and permeated the intellectual climate of the population. Although the story of the transformation of Turkey during the last fifteen years has been frequently told, three new books deserve special mention, because they either reveal to us neglected phases of that transformation, or contain a comprehensive and authoritative history of the rich experiences through which Turkey has passed.

The modernization of the Orient is not confined to things political or economic, it originated with the intelligentsia and some of its most important manifestations are cultural and religious. Better even than laws or economic statistics, the literature of a nation reflects the changes in its life. M. Edmond Saussey has collected and translated an anthology[6] of modern Turkish prose writers in which he has happily confined his selection to long and significant extracts from leading authors, instead of giving short fragments and many names which would bewilder the reader without drawing an integrated picture of the development. The Western reader will be surprised both by the vigorous style and by the content of many of the extracts. Here he will find a keen psychological realism, trained on the best French examples; a vigor which reminds the reader of modern Soviet literature; a passionate reaction to the experiences of the last fifteen years, with all the difficulties involved in the task of nation-building; a reflection of the crisis of changing ways of life in family, in relations of the sexes and in all the most intimate domains of the soul; a reappearance of the old Turkish mysticism, which once found its

[6] *Prosateurs turcs contemporains*, edited by Edmond Saussey. Volume I of Études Orientales, publiées par l'Institut Français d'Archéologie de Stamboul. Paris, E. De Boccard, 1935. xxiii, 385 pp.

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expression in the Dervish orders and now is converted into a mystical devotion to the Turkish Republic.

These changes, of course, have profoundly influenced the religious life of the country. An American religious educator has given special attention to this side of the Turkish transformation in a well-written and informing book which deals with the new spirit in Turkey.[7] In the new Turkey, as in the Soviet Union, the blame for the backwardness of the country was laid on the deadening influence of religion, in this case, Islam. In an explanatory introduction to the new civil code, which Turkey adapted from that of Switzerland, the minister of justice declared:

> Laws which derive their inspiration from religions fetter the societies in which they are applied to the primitive epochs in which they arose, and they constitute invincible factors which prevent progress. It is indubitable that our laws, which came out of the changeless precepts of religion and which insured a permanent place to divine elements, have been the most powerful and the most effective factor which, in modern times, has enslaved the destinies of the Turkish nation to the mentalities and institutions of the Middle Ages (p. 34).

The religious implications of modernization, which Dr. Allen discusses with much sympathy for the Turks, do not trouble the young Turkish generation. There are no followers of Gandhi and his romanticist return to the past. Dr. Allen quotes the following characteristic words of a Turkish newspaper:

> Our movement cannot be compared to the Hindu movement which aims to return to the spinning wheel. Our movement is no more negative than reactionary. It is a movement forward, a positive movement. We do not say to the people "Return to the industry of the fireside; boycott foreign merchandise." On the contrary we say to them, "Let us industrialize; let us perfect technique; accord importance to those branches of industry whose development is possible among us, and assure their success." Our doors are open to the merchandise which is not or cannot be produced in our country. To be able to buy more of them we wish to augment our national revenues (p. 142).

Turkey's position in international relations has been transformed from a semi-colonial status into complete independence and equality with the progressive Western nations. Missionary work, which had been conducted as in other backward countries, has necessarily under-

[7] *The Turkish Transformation: A Study in Social and Religious Development*, by Henry Elisha Allen. Chicago, The University of Chicago Press, 1935. ix, 251 pp. $2.50.

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gone corresponding changes. The new viewpoint is well expressed by a Turkish writer, Mehmet Emir, whom Dr. Allen quotes:

> Those of philanthropic temper who wish to help us must do this exclusively with Turkish hands and for the needs of Turkey. The Americans have given vast assistance to the University of Brussels but in return for this assistance they did not seek to open an American university in Brussels. Humanitarian assistance which can be given to Turkey can only be of this kind (p. 168).

Dr. Allen closes his able study of the religious problem with a hope in the revitalization and modernization of Islam. If such a revival comes, it will be a thoroughly rationalized Islam, free from all the "superstitions" of its traditional past, which will emerge.

Turkey's successful program of modernization, made possible by the nationalistic victories against the Allies immediately after the World War, by the personality of Mustapha Kemal, and by the friendly relations with the Soviet Union, has not been duplicated by other Oriental states. In Iran, in Afghanistan, in Irak, and in Egypt, however, the example of Turkey is followed, albeit slowly and under unfavorable conditions resulting from foreign influences, the greater backwardness of the people and the lack of commanding personalities. Of particular interest to all observers of the Turkish experiment is the summary, published by the government, of the intentions, activities and achievements of the Republic and its political, religious, social, cultural and economic reforms accomplished prior to September 1933.[8] The earlier chapters of this volume follow the famous speech of the Gazi which he delivered from October 15 to October 20, 1927, in the Turkish Parliament, and in which he reviewed the origins and achievements of his government. The book is an official publication and, therefore, reflects the admiration and praise which Turkey today bestows upon Mustapha Kemal, the great national leader and reformer. Just because it is an official publication, it is indispensable for anyone who wishes to get acquainted with the new forces which shape the Orient, and with the new way in which the Orientals have come to look upon themselves and upon the world.

The new philosophy underlying the movement is a secular nationalism which seeks to integrate the masses politically, culturally and economically into the nation. This nationalism, spreading since the

[8] *Geschichte der Türkischen Republik*, verfasst von der Gesellschaft zur Erforschung der Türkischen Geschichte. Istanbul, Devlet Matbaasi (Government Printing Press), 1935. xxii, 469, 152 (pictures) pp., 12 maps.

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World War into the Orient and today holding sway in all Asia and northern Africa, is a modern nationalism of the twentieth century, which knows that a nation is strong only with the social and cultural well-being of the masses. It is bent upon economic reform and popular mass education. It strives for a unified attitude of all peoples, a unified attitude which does not lead to internationalism or international coöperation, but rather to a phenomenon which might be called pan-nationalism, tending to transform the earth into a common battleground of the different nationalities. But the common stage is set not merely for a world-wide conflict of nationalism; for the first time in human history all countries are faced by the same economic, social and intellectual problems and hold basic attitudes of civilization in common. Modern civilization has encompassed the earth. A Turkish writer of our day, the late Abdullah Djevdet, could say in his journal *Idjtihad* of March 1, 1929: "There is only one civilization and that is the patrimony of the great human family."

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REVIEWS

The Eve of 1914. By THEODOR WOLFF. Translated by E. W. Dickes. New York, Alfred A. Knopf, 1936.—655 pp. $4.50.

Theodor Wolff, editor of the *Berliner Tageblatt* from 1906 to 1933, has set himself the task of explaining how the war of 1914-1918 came about. As one of the leaders of German journalism he had ample opportunities to observe at close quarters the political events which led to the great catastrophe, and he had known well or at least met many of the men who were immediately responsible for framing the international policies of the European powers. He has also read much—although by no means all—of the truly tremendous literature that has grown in recent years around the question of the responsibility for the war. His general conclusion, especially in so far as Germany is concerned, is that "stupidity" and methods of "reckless gamblers" were the determining factors in the chain of events which precipitated the conflagration.

In spite of Wolff's extensive study of documents and memoirs and his painstaking restatement of the familiar facts which necessarily appear in every book dealing with the outbreak of the war, his bulky volume is not the work of an historian. The great underlying forces which determine the processes of human development are not reflected in his pages. A journalist accustomed to comment on daily events and to interpret them in the light of the immediate objectives of the responsible statesmen, it is in the behavior of these statesmen, and the reasons therefor, that the author is particularly interested. To those who believe in economic determinism *The Eve of 1914* will appear as hardly more than a collection of diverting or trivial anecdotes which really explain nothing.

It is unquestionable that the author's failure to relate the policies of the various statesmen to the social and economic conditions of their respective countries and to the great movements of public opinion, which, until very recently, were seldom completely controlled by government agencies, establishes definite limitations to the scope of his narrative. And yet the picture he traces is often vivid, revealing and convincing. The discussion of the situation in Germany, on which Wolff is naturally qualified to speak with authority, is of particular interest. It is not a flattering picture, and the author minces

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no words in describing the blunders and follies of the Kaiser and his immediate advisers. But he also makes it clear that these mistakes and errors were due not to any desire to bring about a war, but to the inability to anticipate the consequences of these decisions. Wolff is perfectly right in pointing out that even the most incriminating declarations of the political leaders should not always be taken at their face value, but must be interpreted in the light of other available information—a wise, common-sense rule that has been too often disregarded even by the most illustrious historians.

It is unfortunate that this broad human understanding, which is, however, by no means an apology, somewhat fails the author the moment he crosses the German frontier. This may be due to the fact that the element of personal contact, which makes so valuable his discussion of the situation in Germany, is necessarily absent when the trend of his narrative takes him to London, Paris, Belgrade or St. Petersburg. Not that Wolff does not try to be scrupulously fair. He goes so far as to admit that even Izvolsky—that *bête noire* of all righteous historians—was "horrified" by the news that Germany had declared war on Russia. Nevertheless, sinister motives are only too frequently imputed by Wolff, for instance, to military leaders, especially when they happen to be in uniforms other than German. High army officers naturally have to prepare for war, and this he admits in the case of Moltke, but the evidence produced is hardly sufficient for the statement that Sir Henry Wilson "was dreaming of leading the army against the Germans" or that Sir John Fisher "was hoping . . . to be in command of the British navy as it shelled the German battleships."

The venture in psychoanalyzing Sir Edward Grey is also little to be commended. The author imagines that Sir Edward "was entirely ruled . . . by the evil phrase . . . 'perfidious Albion'", although he is by no means oblivious of the fact that Grey's freedom of action was drastically curtailed by dissensions within the Cabinet and his position as a constitutional minister responsible to the House of Commons. Wolff criticizes Grey for having entangled England in "half-denied, half-admitted" obligations of honor which prevented her from remaining neutral. But two pages further he writes, much more convincingly, that "it had not really been Grey's oratory that had converted the hesitants in Cabinet and Parliament, but the rapid succession of news from the seat of war on the Continent, which had swept the opposition off its feet and dragged it along irresistibly with the current."

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Russia has seldom been popular with German political writers, from Engels and Marx to Adolf Hitler. Wolff is no exception to the general rule. He takes considerable pains to show that in Germany "there was no such thing as a military party, a military camarilla with a voice in the determination of foreign policy." But the existence of a Russian military party is taken for granted. In order to lend color to this somewhat shopworn and academic theory, Wolff introduces a new and perfectly fantastic element: the "Romanov blood"! He owes this important discovery to the memoirs written in exile by the senile Countess Kleinmichel, who reports a highly dramatic but purely imaginary appeal to the Tsar by his wife to stop the mobilization. Sazonov is said to have objected and declared that Russia would never forgive the Tsar this humiliation. "At that Nicholas vacillated no longer. The word 'humiliation' had stung him. . . . His Romanov blood now finally decided the issue within him." Interpretations of this kind hardly do honor to the editor of the *Berliner Tageblatt*.

It is also to be regretted that even at this late date Wolff did not succeed in freeing himself, in spite of an undoubtedly sincere effort, from the effects of war propaganda in the dissemination of which his journal inevitably had its share. He still thinks that the pillage of the German embassy at St. Petersburg was organized by the Russian police—with "a prominent general of the Tsar's suite" applauding and "waving" a glass of champagne. And he goes so far as to insinuate that the Russian embassy in Paris was involved in the murder of Jaurès, although he admits that there is no evidence to support such suspicion. His book would have been more valuable and more convincing if the sympathetic understanding so conspicuous in the case of Germany was less parsimoniously measured out to her former opponents.

It is difficult to form an opinion of the literary merits of the volume without having seen the original German text. E. W. Dickes' translation hardly does it justice. It is heavy, unidiomatic, and often obscure. A sentence of some hundred and ten words occurs in a paragraph criticizing Maximilian Harden for his "inflated style which . . . dislocated the limbs of the language of man." This criticism is, of course, perfectly justified and it is a pity that Theodor Wolff and his translator did not keep it constantly in mind while preparing the English version of *The Eve of 1914*.

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Why We Went to War. By NEWTON D. BAKER. New York, Harper & Brothers for the Council on Foreign Relations, 1936.—vi, 199 pp. $1.50.

To one who has long held in esteem the views of Newton D. Baker, this essay, which first appeared as the leading article in *Foreign Affairs* for October 1936, comes as a disappointment. Since Mr. Baker became a member of the Wilson Cabinet thirteen months before our entry into the World War, the blurb writer may perhaps be pardoned for calling attention to the author's "first-hand knowledge" and for exclaiming: "It is history, told now for the first time." Mr. Baker himself, however, concedes that he adds nothing to our knowledge as a consequence of his official position, when he says: "While I was a member of the Wilson Cabinet, my preoccupation with questions of military organization, supply and policy so occupied my time that I had very little opportunity to consider diplomatic problems. When the war was over and I left Washington, I turned my face very resolutely toward the future and have not to this day reëxamined my personal files or attempted any reexamination of the problems then disposed of."

On the other hand, Mr. Baker states that he "spent practically all the leisure of the last year examining this subject, attempting to read all that has been published by our State Department and by the foreign offices of other governments and much of the discussion of these subjects by scholars and publicists." One is tempted to wish that he had postponed publication of his study until he had found time to read even more. For it is hard to see, for example, why he should have recorded certain conclusions and printed a long bibliographical footnote on the Pan-German movement without having consulted, or at least listed, the one really scholarly work in English on the subject — Mildred Wertheimer's *The Pan-German League, 1890-1914.* Much of what he cites as "literature on the subject" is pro-Ally war-time propaganda—of the very type which, to judge from his treatment of it, he believes to have been relatively unimportant! Again, one can only wish that he had given more weight to Professor J. Duane Squires's useful monograph on *British Propaganda at Home and in the United States from 1914 to 1917.* Although the views expressed by the two authors cited may be open to debate, it does seem that any serious study of the subject should take their researches into account.

The book conveys the impression that Mr. Baker set out to prove rather than to investigate certain points at issue. Instead of criti-

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cally examining the arguments of those who explain our entry into the conflict as "the result of the pressure of special interests", or who claim that "we were beguiled by propaganda which came from overseas", he follows what might not unjustifiably be called a conventional anti-German outline. He is constantly on the defensive, obviously pained by this slur or that, and yet fighting back only with hurt feelings rather than with readily available facts.

Like Mr. Baker, I am convinced that no wicked bankers dragged us into the war so that they might turn blood into gold; but I am equally convinced that no one, who is not already certain in his own mind on this point, will be converted by the author's well-meant, but ineffective, exposition of this phase of the subject. The same applies to his defense of munition makers. The reader has every right to expect a water-tight case on this matter from the Secretary of War. In reality, he may only read: "When we began the actual mobilization of material for our participation in the World War there simply were no American munition makers." Or again, "During 1916 I never saw a munition maker except as I sent for him."

Unsatisfactory also are Mr. Baker's discussions of the attitudes of men like Ambassador Walter Hines Page, Ambassador Sir Cecil Spring-Rice, and Secretary Robert Lansing. Moreover, much space is devoted to what would seem to be an unnecessary defense of President Wilson's idealism and to a refutation of the idea that his war message was merely a "partial statement used to rationalize a hidden purpose and to justify a concealed intention." Has such a charge ever been leveled from any important source? Even the most determined anti-Wilsonians have only complained that the President himself was misled by sinister influences that took advantage of his natural leaning toward things British rather than things German.

Toward the end of his study, Mr. Baker writes: "I am convinced also that our entrance into the war was caused directly and solely by the German use of the submarine and that to the last President Wilson worked to keep America out of the war." The references in this conclusion to the direct cause of our entry and to President Wilson's aim hardly needed proving. The reference to the submarine as the sole cause of our entry, with no consideration of even such things as cultural tradition and foreign propaganda, needs, now more than ever, to be subjected to thorough, scholarly analysis.

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The Diplomacy of Imperialism, 1890-1902. By WILLIAM L. LANGER. New York and London, Alfred A. Knopf, 1935. 2 vols.—xviii, xii, 797, xxii pp. $7.50.

This work which continues the study of diplomatic history begun in *European Alliances and Alignments, 1871-1890* (1931) is at the same time more detailed in its analysis of international relations and broader in scope. The explanation for this lies in the extraordinary complexity of the period, for in these years of exuberant imperialism European interests were no longer primarily centered, as they were in the days of Bismarck, upon the Continent and the Mediterranean basin, but were extended to the far corners of the earth. Furthermore, there was no Bismarckian genius to give unity to the story of the nineties, and under pressure of divergent world interests even his alliance system tended to give way before an "interpenetration of alliances" in which the particular interests of each power rather than those of the group determined policies and alignments. There is one theme, however, which supplies a focal point of attention and that is the position and policy of England, not at all because she found herself between two groups of powers, but rather because, as the author points out, she was in a position to play the most prominent rôle in world affairs. "She had the empire which the others coveted."

This becomes clear in the first two chapters which summarize the events of 1890-93. The formation of the Franco-Russian alliance affected England more than the Central Powers, since both parties were at odds with her in various parts of the world and the Russians at least had no intention of stirring up trouble with Germany. The story of these years is little changed from the account in Langer's *Franco-Russian Alliance* (1929), although additional material from Russian sources reveals that the Tsar was more pro-French and anti-German than any of his advisers. The general setting for the remainder of the book is developed in the third chapter on "The Triumph of Imperialism". Assuming that the continental variety differed only in degree and not in kind from the English, the author shows by a study of the latter that imperialism in this period was the product not merely of the desire for prestige and of economic necessity, but also of the sociological and biological theories of the times which were reflected by statesmen and journalists, and by the novelists and poets of Kipling's school of "literary rough-riders", who reached the masses through the cheap newspaper and turned their attention from the pretty sentimentality of earlier Victorian days to

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the lusty enjoyment of conquest in a world where the fittest were destined to survive. The principal theaters of action were the Nile Valley, the Near East, the Far East and South Africa; and in order to catch and convey the interrelation of these parts to one another and to the whole, the author rightly adheres as far as possible to a chronological treatment.

In 1894 and 1895, Great Britain really began to realize the inconvenience of her widespread imperial interests. In her efforts to prevent French domination of the vitally important upper Nile region by means of agreements with Italy, the extension of her own influence through East Africa, and the abortive Congo treaty with Leopold of Belgium, England was opposed by both France and Germany. This combination likewise followed the lead of Russia in the intervention at the close of the Sino-Japanese war with the result that the Franco-Russian allies threatened for a time to out-rival England in acquiring economic concessions from a grateful China. On the other hand, the Armenian question, here given adequate treatment for the first time, found the allies supporting England half-heartedly and therefore ineffectively in the Near East. A vigorous policy could be successfully pursued there only with the support of the Triple Alliance, and Germany's rejection of Lord Salisbury's proposal for the partition of Turkey made this impossible.

One of the reasons for Germany's refusal to support Great Britain was the growing and mutual feeling of suspicion and distrust which was heightened by the South African crisis culminating in the Jameson raid and the Kruger telegram, "one of the greatest blunders in the history of modern diplomacy." In the following two years, 1896-97, the estrangement between England and Germany was a fundamental and important factor in the international situation. It loosened the ties of the Triple Alliance, since both Austria and Italy were loath to give up coöperation with Britain. This was especially true of the latter whose defeat at Adua furnished the occasion if not the cause for the British decision to reconquer the Sudan where, as before, French activity threatened to forestall them. Anglo-German animosity indirectly helped revive something like the Three Emperors' League during the Macedonian and Cretan crises in the Near East. And it played a part in the persistent though unsuccessful efforts of England to come to an agreement with Russia on the basis of a division of spheres of influence in the Near, Middle and Far East.

These years also saw the beginning of German naval building which was feared by England at the time, not as a factor in itself, but

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because of the possibility of a coalition, including Germany, which would be stronger on the sea than Great Britain. The new naval policy of Germany had its counterpart in the Far East where she wanted to weaken the Franco-Russian combination and secure for herself some sort of commercial and naval base. The acquisition of Kiao-chow and the subsequent actions of Russia and England were accompanied by the usual efforts at agreement in which Great Britain foolishly abandoned the principle of Chinese integrity for that of the open door.

By this time, since he was convinced of the positive dangers of isolation, Chamberlain began his "touting for allies in the highways and byways of Europe", to use Asquith's phrase. After Russia's mistrust had prevented a *rapprochement* with her, he turned to the United States who appreciated England's attitude during the war with Spain but turned a deaf ear to hints of an alliance. Germany, then, was really a third choice and failed to make things easier by her hard bargaining over Samoa. To be sure the British scarcely played a straightforward part in their double-dealing over Portuguese colonies. But England's resounding triumph over France in the Fashoda affair compensated for Chamberlain's rebuffs.

In the midst of the open antagonism or ill-concealed dislikes which permeated international relations, Tsar Nicholas, prompted by the hope of gaining advantages for Russia, dumbfounded Europe by proposing a conference to discuss the limitation of armament and the settlement of disputes by arbitration. At the Hague, the Germans had to shoulder the blame for blocking effective action, because they frankly said what everybody else was thinking. This meeting scarcely affected the policies and relations of the powers with respect to South Africa upon the outbreak of the Boer war, the Near East, where Germany obtained the concession for the Bagdad railway, and the Far East. There the Boxer rising temporarily brought about the semblance of a concert, which quickly disappeared when Russia's suspected aims in Manchuria threatened to start a new scramble for spheres of influence. The British government, despite a virulent anti-German public opinion, entered upon the meaningless Yangtze agreement in order to prevent Germany from joining Russia in a grab of Chinese territory, when England's hands were tied by the Boer war.

This Anglo-German agreement of 1900, together with the Japanese attempts to gain their support in opposing the Russian effort to consolidate her position in Manchuria, forms the immediate background for the final alliance discussions of 1901. In these, the misrepre-

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sentations and falsifications of Eckardstein so misled both Berlin and London that further mistrust and suspicion could be the only result. But at the same time, and despite certain misgivings on both sides, Great Britain and Japan initiated negotiations which ultimately led to the alliance of 1902. At the time of its signature the Anglo-Japanese alliance was not as significant as it later became, for both parties really preferred to come to terms with Russia and would have done so but for the blindness of her government.

This superficial summary of twenty-four closely packed chapters cannot do justice to the importance and value of this book. Four characteristics in addition to its careful and accurate workmanship make this work stand out far above any other dealing with pre-war diplomacy. First of all, it reflects a remarkably firm and comprehensive grasp of the source and secondary materials not only in English, French, German and Italian, but also in Russian, Armenian and Japanese. The extensive use of contemporary writings, too often overlooked during the recent flood of documentary material, emphasizes or supplements the official and private papers and adds color and life to the narrative. Furthermore, the brief excursions into the background of each subject serve to establish a perspective without which the detailed analyses would lose much of their meaning. Finally, the critical bibliographies at the end of each chapter are deft and unique guides to the maze of literature confronting the student.

The work reveals, however, many gaps in the sources which account for still unsolved problems. The author admits that the reason why the Russian emperor finally agreed to the military convention with France is still unknown, and elsewhere uncertainty is apparent in the use of the cautious "probably" and "it seems". Lord Salisbury's plans are still often a mystery, for he appears at one moment to favor a policy which at the next he repudiates. This uncertainty raises a query as to one of the principal contentions of the book that "the real object of English policy, through these years, . . . was to reach an agreement with Russia." This work makes it perfectly clear, on the other hand, that Anglo-Russian relations are quite as important as the hitherto much debated Anglo-German alliance question if not more so.

In conclusion it should be emphasized that here is neither mere thrashing over of old straw, nor hackneyed treatment of international relations based on salon gossip, public speeches and published correspondence put together to make a picture of diplomats over green tables and statesmen on the rostrum shaping the destiny of nations.

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These things are here to be sure, but men appear as actors, often unwilling and almost involuntary, in a plot of historical forces greater and more fundamental than the sum total of individual personalities. Business interests, engineering enterprises, the surge of human aspirations and the temper of the times enter the composition in a well-balanced and judiciously appraised relationship to the whole. Thus both the method and the matter of this book are indispensable for the student of modern world problems. Even observers of the contemporary scene should peruse these pages with care for the indirect light they throw upon the confusion of European politics, the imperialistic urge, and the dilemmas of British policy. In all of these respects our times seem curiously reminiscent of the eighteen-nineties.

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The Drama of Upper Silesia: A Regional Study. By WILLIAM JOHN ROSE. Brattleboro, Vermont, Stephen Daye Press, 1935; London, William and Norgate, 1936.—349 pp. $3.50.

When Upper Silesia was divided under the Treaty of Versailles in 1922, prophecies of disaster were numerous. This study of the social and economic history of the area before and after the division is therefore of especial interest.

The author's account of the period from the Prussian conquest in 1742 up to the plebiscite held by the Allied Powers in 1921 is in general that agreed to by informed students. When Frederick the Great seized Silesia, the part east of the Oder was an isolated peasant-land. Originally under Polish overlords, the peasants were wholly Polish in stock and speech. During the centuries since the land had passed into the possession of the Bohemian Crown and thus to the Hapsburgs, the landowners had become largely Austrian-German, but were, like the peasants, devout Catholics. The "age of social and economic planning" initiated by Prussian rule meant the introduction of Protestant German officials and state employees. Much of the land fell into the hands of Prussian Junkers. In the middle of the nineteenth century the swift development of Silesian coal and iron by Prussian capital brought a great influx of Protestant Germans —industrialists, managers, engineers and "white-collar workers"— whose presence caused the "Industrial Triangle" of cities which sprang up around the mines and factories near the Russian-Polish frontier to be largely islands of Protestant German majorities in the sea of Polish Catholic peasants. These native-born, Polish-speaking

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peasants and their sons served as the great reservoir of unskilled labor. No matter what their individual ability, they were excluded by law or practice from all partnership in the administration of the area, from the most modest employment in the public services, and from all chance of advancement in the professions, while in industry they might not even rise to be foremen.

This coincidence of social, religious, economic and linguistic lines of division in a highly industrialized community was certain eventually to produce cleavage along the line of nationality as well. Unlike Posen, however, Upper Silesia had been separated from Poland before that country had become a state in the modern sense of the word, and in the nineteenth century there was no Poland around which to build a national movement. This, no doubt, accounted for the fact that the cleavage between Polish- and German-speaking inhabitants of Upper Silesia was for almost one hundred and fifty years only social and religious and that, in spite of the constant reduction in the percentage of peasant holdings under Prussian rule and the growing discrimination against their language, the Polish-speaking inhabitants still regarded themselves as loyal Prussians until the " Kulturkampf ". Bismarck's attack on their Church, however, and his efforts at forcible assimilation made fertile soil for the new Polish movement spreading from Posen. The Prussian policy was now extended to include inducement as well as pressure, and where the Ostmarkenverein and the Hakatists had only aroused more stubborn resistance, popular libraries, singing and dramatic clubs, and the like made considerable progress. At the time of the plebiscite, although between 57 and 65 per cent of the inhabitants were still Polish-speaking, 59 per cent of the voters, including those born but not domiciled in the area, voted for Germany.

While holding that the plebiscite was a reasonable expedient under the difficult conditions obtaining at Paris, Professor Rose questions its value as a means of determining the desire of a simple people dominated by their rulers, their employers and their religion. It should be said, however, that the disabilities of the two sides were fairly evenly balanced. Contrary to popular conceptions, the vote, as the author makes clear, was taken before and not after the great Polish " Putsch ", and allocation of the area was required by the treaty to be not *en bloc* but according to the communal votes. The frontier drawn by the Allied Powers on the recommendation of the League of Nations is considered by Professor Rose to have been the best that circumstances permitted. While by far the richer part of

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the area was assigned to Poland, 75 per cent of the land and 57 per cent of the population were left to Germany, and in the part assigned to Poland 56 per cent had voted for the latter country.

The second half of the study deals with the manner in which the division of this living web of modern industry has worked. That none of the disasters, social and economic, so freely prophesied has resulted Professor Rose credits to the fundamental good sense of individuals on both sides, aided by the Convention signed in 1922 by the German and Polish governments under the auspices of the League. This instrument was framed to tide over the transitional period of fifteen years by providing freedom of movement of the inhabitants of both sides across the new frontier, free transit of raw materials, the continued functioning as a unit of railroad, light and water systems, and a comprehensive protection of the national minority left on each side of the line. The most interesting portions of the book are those devoted to comment on the working of this Convention—a novelty in political science—and on the record of the Arbitral Tribunal and Mixed Commission—both headed by neutrals—set up to supervise its execution.

On both sides of the frontier, as the author shows, the chief complaints made to these two bodies and their subsidiaries have concerned not mechanical or economic difficulties but the treatment of the minority, especially regarding schools. That these complaints have been so much more numerous from the German minority in Poland than from the Polish minority in German Upper Silesia he considers to be due to the fact that the former is by all odds the wealthier and more articulate group, and that its organization, the "Volksbund"—well subsidized from Berlin—has been active in using every chance of complaint, however trivial, to prove the frontier unworkable. The hope cherished for years by the Germans that Poland would crumble and the frontier disappear is held by Professor Rose to have been the chief obstacle to progress in assimilation of the German minority. When that hope failed to materialize, even with the advent of Hitler to power, the number of complaints quickly dropped, and many local leaders set about arranging their differences without the help of outside agencies. The bitter division among the German minority caused by the events in the Third Reich, and the official peace made by Hitler with Poland in the ten-year pact of amity of January 27, 1934, still further calmed the atmosphere. As the author rightly says, if this new relation should prove lasting, another stone will have been laid in the structure of European and world peace.

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As a study of the manifold obstacles to the assimilation of an alien nationality this work of Professor Rose will be of lasting value. His conclusions will be more palatable to Polish than to German readers. Hence one wishes that in what is contemporary history he had given a fuller statement of the German arguments, valid or not, on the many points in controversy. His final opinions, however, seem in general reasonable and just. The acquaintance of the author with local history and customs, thanks to his long residence in the areas as well as in the neighboring parts of Central Europe, gives a rich background to a piece of work which will be useful to the historian and the political scientist as well as to the sociologist.

SARAH WAMBAUGH

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Sweden, The Middle Way. By MARQUIS W. CHILDS. New Haven, Yale University Press, 1936.—xvi, 171 pp. $2.50.

All students and friends of the North of Europe will welcome this volume. The author surveys those aspects of Sweden's economic life which illustrate the state in business and the achievements of coöperative endeavor. Discovering that the Scandinavian nations have developed, during the past generation, modifications of capitalist economy which "may be more apparent than real; more perceptible to the visitor than to the native" (p. xi), Childs concludes that "Sweden is almost the only country in the world in which capitalism has 'worked' during recent decades", and that the degree of "*laissez faire* that has continued to exist in Sweden is, in a manner of speaking, hothouse *laissez faire*. It exists under a bell-jar." Through state ownership and state competition, consumers' coöperation, producers' coöperation, and a strong labor movement, "the State, the consumer and the producer have intervened to make capitalism 'work' in a reasonable way for the greatest good of the whole nation" (p. 161). Thus the Swedes have attained to a middle course between Communist Russia on the one hand and the United States (where the "profit motive was put above every other consideration") on the other.

Childs is a keen observer. He presents a wealth of information with enviable clarity and disarming urbanity. He does not insist upon the infallibility of his interpretations or conclusions. Yet the total effect of his book is somewhat disconcerting. It does not tell

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the whole story. Its treatment of the beginnings and bases of co-operation in Sweden is sketchy, and fails to bring out a fact that seems to the present reviewer to be fundamental in the development of the coöperative movement: the necessity of the "little fellow" to effect small savings. The proportions are at times inadequate; for instance, one gets the impression that coöperative housing is as important as coöperatives in the field of food stuffs, or that the Markelius Kollektivhus in Stockholm is a typical representative of Swedish coöperative housing. Nor is coöperation measured, in an adequate way, against the background of Sweden's general economic life. The rôle of the export industries—almost wholly non-coöperative—in Sweden's notable economic recovery during the past few years is given only passing consideration. In general, one feels that the author has discovered a Utopia—and when Sweden fails to yield impressive evidence of an agrarian coöperative movement sustaining the farmer, he treats the reader to a chapter on "Denmark Organizes the Farm". Leaving out of consideration certain pardonable minor inconsistencies and errors, the reader will be confused by others of larger import. For example, "When one says capitalist in Sweden, it is to refer really to one family, to one man at the head of that family, old Knut Wallenberg" (p. 23) runs counter to the statement that Sweden is "a capitalist country in which the owning class still exerts a considerable measure of control" (pp. 163-164).

At least two commentators on Mr. Childs's able work have suggested that President Roosevelt as well as Alfred E. Smith would benefit by a walk in Sweden. Be that as it may, any student of Sweden would urge the advantages of a careful perusal of the pages of Childs's book upon all interested in the recent history of this modern, progressive nation. But with respect to the coöperative movement in particular, the present reviewer would urge also a consideration of the following statement published three years ago in the official survey of the Swedish Cooperative Union: "The consumers' cooperative movement includes by now a richly diversified field of activity: retail, wholesale, manufacturing, insurance etc. In no field, however, is cooperation supreme or even dominant, and there are substantial domains of economic life within which cooperation has not become significant. In all probability it will not appear within these fields, at any rate not in any important way."

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The Anti-Drug Campaign. By S. H. BAILEY. London, P. S. King & Son, Ltd., 1935.—xiii, 264 pp. 12s.

This is a book which should be read not only by those who are interested in the movement for drug control, but also by those who are interested in international organization and in political science. It contains a well-documented description of the progressive organization of international control, which followed a realization of the helplessness of individual nations before the flood of illicit opium, and offers to the student of international organization and the student of political science a study of the way in which an international interest was armed with consultative and directive bodies and the procedure of coöperation with governments which is so essential to accomplishment. The author brings out also a point not always understood by those who deal with international relations, the importance of the informed public opinion which, brought to bear on governments directly as well as through the organs of the League of Nations, acted as a driving force during the history of the development of the international and inter-governmental machinery set up to control the traffic.

The author well states the difficulties of the problem. The complications arising from the need of continuing the supply of drugs for legitimate while limiting the illegitimate traffic, the ease of smuggling drugs, the insistence of the demand from addicts in different countries, the great profits and the consequent well-financed and well-organized international groups of illicit dealers, the reluctance to act of many governments whose people were not themselves affected by addiction, the interest even, through taxation, which some governments had in maintaining the supply of opium, all combined to make it appear almost impossible to secure effective results. The fact that an organization has developed, well fitted to cope with the hydra-headed narcotic evil, warrants the conclusion of the author that "The history of the international campaign against the abuse of narcotics shows very clearly that from the tangle of mixed motives which direct the erratic course of governmental policy a constructive purpose has emerged and seems destined to prevail" (p. 151).

The author gives a background of the history of the movement for drug control, the complications which arose owing to the interests of groups in various countries, and on this background paints the picture of the various international organizations—the Opium Advisory Committee, the Permanent Central Board and the Supervisory Body—

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making clear the function of each one and the advance in the tightening of restrictions from the 1912 to the 1925, and finally the 1931, conventions. He has incidentally made a contribution to the study of international legislation in showing the way in which experience, gained under each one of these treaties by the organs set up in it, informed the body which had to draw the next. With the various advances in the central advisory and supervisory bodies he has woven in the development of coöperation between the various national governments, not only through their officials directly in control of opium, but also among their police authorities.

Students of political science and administration will appreciate his insistence on the point that an evil cannot be controlled by passing a law, but only through enforcement of its terms by individuals acting as administrative officers of government. Law, both international expressed in conventions, and national expressed by act of the legislative authority in each country, is essential; but its real effectiveness is determined by the way in which it is carried out. Opium control presents a striking instance of the developing importance of governmental coöperation in administration in international society and evidences the long way that the international society has traveled, since the beginning of the century, towards a realization that it has common interests requiring coöperation by administrative government agencies, aided and directed by international agencies. The importance of the League of Nations in developing this realization on the social and economic side of international relations is apparent in the book under review.

JOSEPH P. CHAMBERLAIN

The Elements of Modern Politics: An Introduction to Political Science. By FRANCIS GRAHAM WILSON. New York and London, McGraw-Hill Book Company, Inc., 1936.—xii, 716 pp. $4.00.

In terms of its purpose and scope, this is the best book of its kind that has come to the reviewer's attention. It is based on thorough and careful scholarship. It raises manifold problems, presents the arguments fairly and forcefully, and suggests solutions with modesty. It is written from a definite viewpoint and with a general thesis. Yet, while certain attitudes are condemned as complete solutions, the elements of value in them are done full justice, and there is no intolerant dogmatism.

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The author believes that political science is normative. While admitting the value of pragmatism as a method of evaluating governmental techniques, he rejects it as a total philosophy by reason of its failure to provide solutions for questions of ends as distinct from means. Similarly, he condemns the attempt to model the social on the pure sciences. In this respect, at least, he is Aristotelian. Indeed, while he rejects certain of Aristotle's ideas as irrelevant to the modern scene, it is not unfair to say that, in his combination of teleological approach and realistic analysis, he is essentially a disciple of the Stagirite.

The work is divided into eight parts. The first, entitled "The Approach to Politics", is a defense of political philosophy as basic to political science and includes a reasoned attack on the current tendency to believe that we can finally escape the necessity of interpretation and evaluation. Here, too, is a discussion of the different methods of political science, with an estimate of their value and limitations.

In the second part, entitled "General Principles of Politics", the author analyzes the fundamental problems of political philosophy, centering his discussion in the scope and nature of political authority, the bases of individual and group duty thereto, and the ends which the state may and should serve. This is the central core of the book, in the sense that the subsequent parts are amplification and illustration of its themes, together with measurement of current theories and practices by its criteria. That the author has managed to examine critically the views of so many thinkers and to propound his own ideas in so short a space, without leaving the reader with a sense of superficial treatment, is as surprising as it is gratifying. The chapter entitled "Some Theories of the Nature of the State" is a marvel of intelligent compression.

Parts III to VII are devoted to an analysis of the modern democratic state, together with the origins and development of the ideas on which it rests and the institutions which it supports. Parts V and VI are concerned with the relations of the democratic state to the international community and to the definition and duties of citizenship, respectively. Part VII consists of a critique of democracy as ideal and actuality, with emphasis on the problems arising for it in the present-day world and the challenge to it of those who would revamp its machinery and use it for ends not conceived to be amongst its objectives in its earlier development. This section contains not only a careful discussion of democratic practices, but also

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an examination of the views on democracy of publicists, public lawyers and philosophers.

The last part of the work deals with "The Authoritarian State" in its communist, fascist and Nazi manifestations, and also as a socialist program. The author has wisely concentrated attention on the factors leading to the establishment of authoritarian states and, even more, on the philosophy they embody, the ideals they express, and the ends they pursue, rather than on their mechanisms and functioning. Within these limitations, his discussion is at once sober and stimulating.

The author may find himself subject to criticism in terms of the proportions and arrangement of material, but the present reviewer heartily approves his plan. To state and discuss basic principles at the beginning with comparative brevity, and then to exemplify their application and amplify their meaning in relation to contemporary events and practices, seems a sound procedure. For American students, too, one feels that it is worth while to concentrate on democratic institutions and to examine the elements of strength and of weakness in democracy. Further, one cannot resist the feeling that recently there has been a shortsighted overemphasis on dictatorship: scholars have succumbed to the excitement of the market place and have lost perspective. To understand the principles and causes of autocracy is vital; to study the detailed mechanics at least of fascist tyrannies is a dubious adventure.

Certain minor criticisms remain. The sub-title is misleading. While the book does analyze the basic elements of political science, it is above the level of the normal introductory work. Secondly, much interesting discussion has been relegated to the footnotes, where it may be neglected, while the reading of the notes interferes unduly with one's concentration on the main theme. Thirdly, obscure or ambiguous sentences occasionally occur; they are to be regretted in a work generally so lucid. Fourthly, the author, perhaps overanxious to give credit where credit is due, often states an argument, not original with him, but which he supports, as though its validity arose from its source rather than its soundness.

The book is amply documented, well indexed, and contains at the end of each chapter carefully selected bibliographies. It is to be recommended not only to teachers of courses in the field, but to political scientists generally.

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The Institution of Property: A Study of the Development, Substance and Arrangement of the System of Property in Modern Anglo-American Law. By C. REINOLD NOYES. New York and Toronto, Longmans, Green and Co.; London, Humphrey Milford, 1936.—xiv, 645 pp. $7.50.

This is an ambitious work of high intellectual distinction. The learning of the author is evidenced by the extensive footnotes, and the independence of his thought is noticeable throughout the text. Notions and distinctions common in systems of positive law are dealt with historically and analytically, with the object of presenting a systematic view of the modern law of property, in the widest sense of the term "property".

The arrangement is elliptical, as far as positive law is concerned. The law of Rome and the law of England, or more precisely of Anglo-American communities, are the two focal points of the discussion. In dealing with "modern" jurisprudence, which occupies a central place, the author manifests considerable impatience. He has a high regard for Anglo-American legal principles but he finds that they have been adulterated by Roman concepts, both genuine and spurious.

Readers trained in Roman law and continental jurisprudence will find much familiar material, but they may be puzzled by the challenge to widely accepted notions. Even if they feel refreshed by the author's earnest attempt to disentangle the confusion inherent in the term "property", it is doubtful whether they will be ready to accept his views and conclusions. The doubt, here expressed, arises from the peculiarities of Mr. Noyes's exposition, which is at times brilliant, and the variety of evidence which he has marshaled in support of his case. A number of his arguments seem unnecessarily complicated. He might have derived valuable support from Petrazycki's *Lehre vom Einkommen* (Berlin 1893 and 1895) and the same author's *Die Aktien Gesellschaft*, to mention only what has been published in German of Petrazycki's works.

After a very interesting introduction, Mr. Noyes devotes his first chapters to the organization of early Roman society and the development of the Roman system of property, first in the "intra-familial" and later in the "inter-familial fields". In chapter iii on the foundations of the English, or feudal system of property, one feels the author's delight in discovering here "a concurrent and qualitative division of the various elemental relations which may

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exist between men with respect to the objects of property". Chapter iv deals with modern juristic analyses of the law of property, while the following chapter entitled "Property in modern American law—Legal practice", which contains the analysis of 410 cases, is a particularly interesting attempt to reduce to an ordered and rational entity the "irrational and vague conceptual structure" of almost fifty codes and as many jurisdictions. This section of the volume will probably leave a more enduring impression than the final chapter on the substance and structure of modern property.

The gist of Mr. Noyes's study may perhaps be reduced to the following two conclusions. He recommends a definite differentiation of the various applications of the word "property" (p. 535). He furthermore stresses the necessity of a protection for the rights of the shareholders and similar property owners — representing the most important form of property in recent years—prior to their infringement. More definite proposals might be expected from one so competent. His suggestions for a new classification and system, however, are carefully planned and ably presented. Those students who already have acquired information which the author thinks is erroneous will not be prone to unlearn, and beginners will have great difficulty in following his argument. Consequently, the chief defect in Mr. Noyes's *Institution of Property* is that the matter is not "appropriable", an adjective which constantly interests the author in his attempt to distinguish between property and other rights.

A. MEYENDORFF

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The New Industrial System: A Study of the Origin, Forms, Finance, and Prospects of Concentration in Industry. By HERMANN LEVY. London, George Routledge & Sons, 1936.—x, 282 pp. 10s. 6d.

Mr. Levy is in violent reaction against those British economists who regard changes in industrial organization which diminish the competitiveness of the market as deviations from the obviously correct system of competition. Such deviations they attribute to the exploitation of unusual circumstances by entrepreneurs who fail to abide by the rules of the game, probably aided by the mistaken policies of the state. This attitude is the ultimate foundation of the anti-trust laws in this country, and Mr. Levy's book should be compulsory reading for all those who insist that the present need is not for a change

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in social policy but rather for a strict enforcement of the existing laws.

Mr. Levy presents a broad picture of the changes in the organization of industry since the decline of the craft guilds, seeking the deeper causes of change. The result is a very stimulating study, illumined by comparisons between the developments in the major capitalistic countries and also between conditions in the pre-industrial period and at the present time. Early developments in transportation extended market areas with the result that large scale merchandising and financing developed while production continued on a small scale, as the domestic or "putting out" system. Industrialism increased the size of productive units, and the power of the merchant financier over the industrial system was temporarily broken. The entrepreneur of the period of competitive individualism financed production by ploughing back his often large profits and by obtaining capital in local markets. The present relocation of a large measure of control over the industrial system in the hands of those in a position to direct the flow of capital in large quantities arises fundamentally out of the great changes in transportation and communication. These changes began to bear fruit in the closing decades of the nineteenth century. Geographical concentration of production was again facilitated and large scale production usually, but not inevitably, followed. These larger firms require capital in quantities beyond the capacity of local markets and industrial capitalism passes into finance capitalism. The "putting out" system reappears also in another of its aspects — in the dependence of many small and legally independent firms upon a few very large ones.

When Mr. Levy turns to the appraisal of the operation of the present imperfectly competitive system and to the consideration of its future he lapses into a brief and sketchy eclecticism. Concerning the prices charged under this system he has no more to say than that it is difficult to decide whether they are too high. He makes no use of the recently developed theories of imperfect competition. Concerning trade practices such as exclusive dealing and boycotts used to build up and fortify rather than exploit industrial positions, he offers merely the conclusion that they are of the widest importance. Concerning the future policy of the state, he suggests that governments should see that the leaders of industry are leaders in a real sense who will collaborate with the state—but to what ends and by what techniques?

ARTHUR ROBERT BURNS

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Economic Principles of Transportation. By W. T. JACKMAN. Toronto, The University of Toronto Press, 1935.—891 pp. $5.00.

In the ten years that have passed since Professor Jackman published his book bearing the title of this one there have been so many changes in the field of commercial transportation that in bringing the treatment of the subject up to date he has found it necessary to write a volume that is almost entirely new. For the most part these changes have been caused by the diversion of a substantial part of the traffic of steam railroads to carriers of highways, inland waterways and the air. Though the railroad still remains the leading agency of transportation, the new competing facilities, growing in importance from year to year, have given rise to a situation which requires the investigation of new problems of railroad operation, a fresh approach to the discussion of rate making in theory and practice, and a reconsideration of the entire question of government control of the transportation industry.

Professor Jackman again deals chiefly with the experience of Canada in the chapters covering the history of railroad development and the various physical and financial aspects of the transportation business, though he also discusses the developments which recent years have witnessed in transportation in the United States.

The major portion of this work, as in the volume which preceded it, is devoted to a discussion of the theory of railroad rates, of the many interesting practical considerations which make impossible the application of a single simple theory of rate making, and of those rate structures in Canada and the United States which indicate the intricate difficulties of the problems which confront the academic student and the practical maker of railroad rates and the government agency by which rates are regulated. In no other work on transportation will one find a more complete and comprehensive exposition of the economics of rate making, nor one illuminated with a greater wealth of illustration and example drawn from actual conditions and experience.

In his discussion of transportation rates and the prices of commodities Professor Jackman has drawn largely upon the studies prepared a few years ago by the Bureau of Railway Economics. These studies, which were designed to show, by implication at least, that increases in railway charges would have no effect upon commodity prices, succeeded in showing nothing except that commodity prices frequently go up and down without any change in transpor-

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tation charges. They never even got near to a treatment of the relationship between prices and railroad rates. Unhappily Professor Jackman does not get much nearer.

One of the most interesting chapters of the book is that dealing with government ownership and operation of railroads in Canada. The history of the Canadian National system is given in detail, and there is an instructive and impartial discussion of the economic and political difficulties which the Government has met in its venture.

Like many other close students of transportation policy, Professor Jackman believes that the prosperity of the transportation industry will be imperiled if those agencies which now compete with the railroads are not subjected in the near future to thorough government control. His conclusions indicate that here at least is an industry in which economic planning would be abundantly justified.

T. W. VAN METRE

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Consumer Cooperation in America. By BERTRAM B. FOWLER. New York, The Vanguard Press, 1936.—viii, 305 pp. $2.00.

The Decline and Rise of the Consumer. By HORACE M. KALLEN. New York and London, D. Appleton-Century Company, 1936.—xx, 484 pp. $2.75.

Cooperative Democracy. By JAMES PETER WARBASSE. 3d ed. New York and London, Harper & Brothers, 1936.—xiii, 285 pp. $2.50.

Toward the Co-operative Commonwealth. By T. W. MERCER. Manchester, England, The Co-operative Press, Limited, 1936.—xix, 221 pp. $3.50.

Mr. Fowler has given an interesting account of the recent activities and the present trend of consumers' coöperation in America. He emphasizes the development of the coöperative oil business in the West and of other purchasing associations, and the formation of sectional and national purchasing associations. Credit unions, coöperative insurance and coöperative education are also described. To the author "Consumer cooperation is a technique, a rule of action, rather than the outline of a Utopian state. But inherent in the philosophy is a very definite outline of what a state should be under a cooperative economy."

The author has observed the rapid development of consumers' coöperation during the past seven years and has told that story well.

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On the other hand, a surprisingly large number of statements show a lack of a thorough knowledge of our present business system. The book also suffers from too hasty generalizations, both as to current business practices and as to coöperative activities. Coöperators almost everywhere have emphasized the evolutionary aspects of the movement, yet Mr. Fowler is addicted to the use of the words "revolutionary" and "revolt". The coöperative statistics in the appendix are insufficient to give an adequate picture of the coöperative movement. The book also lacks an index. Although this volume gives the reader a description of current coöperative activities, it contributes little to an understanding of the philosophy of the movement.

The student of economic history and of social philosophy will be attracted to Dr. Kallen's scholarly work on *The Decline and Rise of the Consumer*. The author treats his subject historically and considers various economic systems, such as communism, fascism and nazism, and such activities as Christian socialism, self-governing workshops, Consumers' Research, Consumers' Councils and trade unionism, and holds them all faulty because they either emphasize or admit the primacy of the producer, in the rôle of owner or of worker.

Dr. Kallen foresees no permanent worthwhile changes in our society until the primacy of the consumer is established. This, he believes, is gradually being effected by consumers' coöperation which calls for no revolutionary break with the past but which, by gradually displacing our present economy, will assure all men justice, plenty, democracy and freedom. Dr. Kallen will perhaps convince many people that the primacy of the consumer must be stressed and that therefore consumers' coöperation is the way out. However, critics of consumers' coöperation have stated that as long as private retailing institutions continue to serve the consumer to his satisfaction, consumers' coöperation will not even be able to capture any sizable part of the retail business of the country. Mr. Fowler and Dr. Kallen both indicate that it can and does work satisfactorily in certain fields. How it would function, practically and in detail, on a large scale and extensively is not developed by either author.

Dr. James P. Warbasse, president of the Cooperative League of the United States, discusses consumers' coöperation as a practical working method which is reorganizing society upon a voluntary, non-political basis in his third completely revised edition of *Cooperative Democracy*. This book is based on Dr. Warbasse's extensive and intensive observation of coöperative associations in Europe and in this country and upon a thorough mastery of the literature of the

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subject. Throughout it is characterized by a mature and philosophical point of view. The author treats of coöperation not as a Utopian theory but "as a factor moving toward a different society of the future, and as an element in a social complex. I have attempted not to isolate it, but to discuss it in its relation to existing conditions".

Coöperation to Dr. Warbasse, then, is no palliative, no scheme to patch up the existing economic order, no mere shop-keeping. It is, rather, an evolutionary method, making use of private property, democracy and personal freedom to build a better social order based on mutual aid, self-discipline and personal responsibility.

Dr. Warbasse has a thorough understanding of the competitive economic system, admits its achievements and the efficiency of its business techniques, but also points out its social disadvantages. He holds that if a coöperative democracy is to be reached, it will come about, not by sabotage and strikes, not by taxation, class struggle, revolution or other violent means, but only by putting democracy to work, first on a small scale and then on an ever expanding scale, until it embraces all economic and social needs. He shows how consumers' coöperation differs in principle and practice from government ownership and operation. While the book is written to present coöperation in the light of its workability and indeed of its desirability, the author carefully explains the ethics of coöperation, its relation to modern business, labor, agriculture, science, art, health and internationalism.

The economist will find that while Dr. Warbasse does not neglect the philosophy of the movement, he discusses the methods of coöperation, both in this country and abroad, and points out how they work in actual practice. Dr. Warbasse's book is especially recommended to teachers of economics.

Mr. Mercer's *Toward the Co-operative Commonwealth* was prepared under the supervision of a small committee appointed by the directors of the Co-operative Press, Limited, and for that reason may be regarded as an "official" story of the English consumer coöperative movement. The author has an intimate first-hand knowledge of the movement and has faith in its triumphant future. He has produced a book that the reviewer recommends to all who wish to understand the origin, development and present activities of the coöperative movement in England.

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Money. By EDWIN WALTER KEMMERER. New York, The Macmillan Company, 1935.—xii, 406 pp. $2.50.

It would be difficult in these parlous times to name a student better equipped to deal with the subject of money than Professor Kemmerer. His long and brilliant record in the field of research, as teacher, as author and as monetary counsellor to a score of desperate and anxious governments, invests him with almost Olympian authority.

The book under review represents but half of Dr. Kemmerer's reasoned observations and conclusions on the whole subject of money and banking. Because of the intimate relationship between modern monetary and banking procedure, the present volume can hardly be considered as a work complete in itself. Final judgment on it must await the completion of the second volume, *Banking,* now in course of preparation. Nevertheless, there is sufficient unity and comprehensiveness in the volume to justify at least preliminary comment.

Having in mind the fullness with which Dr. Kemmerer has dealt with the theory of money in the past, we might expect that he would simply state his own conclusions and not attempt to set forth in detail the views and arguments of those who disagree with him on many controversial points. At any rate, what we find in *Money* is the Kemmererian philosophy without elaborate argument or justification, and with only a graceful nod of recognition to Laughlin, Anderson, Keynes, Robertson and others, who have developed opposing views or who rely upon different techniques and different schemes of emphasis in their own presentations.

In the preface Professor Kemmerer explains that his book grew out of lectures given for some thirty years before college classes. While, as implied above, the book must be considered as much more than a "text book", it is admirably adapted to classroom use. Its contents are well chosen; the arrangement of its parts is in logical order, and they disclose a nice sense of balance and proportion. The style, while dignified, is clear and readable and without suggestion of pedantry—here and there, indeed, one finds fetching bits of humor. Neither student nor general reader will find it in the least dull.

The book is divided into four parts dealing, in order, with elementary facts and principles, monetary standards, the principles of foreign exchange and some significant chapters in the world's monetary history. The discussion of the theoretical aspects of the subject in parts one, two and three takes up less than half of the book, but Professor Kemmerer's theory of money and prices is so well known

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that nothing further need here be said concerning it, unless it be that he stresses somewhat more than he has before the influences affecting the demand for money. He also emphasizes more than he did in earlier writings the question of the interest rate and the price level. His treatment of the standard question is unexceptionable, save possibly in a few relatively minor particulars. Kemmerer uses the fairly common distinction between a so-called "gold-coin standard" and a "gold bullion standard"—actually in both cases the real standard is a bullion standard, because in the world market it is the bullion content of the coin alone that has significance. It would clarify the discussion, if the emphasis were laid on the relationship between gold and money. A system involving free coinage of gold, or free interchange of gold and money at a fixed mint rate, might be called an "unrestricted standard". Where there is a fixed mint rate, but where limitations are placed on free interchange, the system might be called the "restricted standard". Similarly, the "gold exchange standard" might better be called the indirect or exchange standard—indirect because the attachment to any given metallic standard is through the use of some other country's money based on such standard—or simply the "exchange standard" because some metal other than gold, or indeed no metal at all, might be involved. Lastly, in the chapter discussing bimetallism it might be helpful to bring out a little more clearly that, under a gold and silver bimetallism, "without the coinage of either gold or silver standard money but with the interconvertibility of paper money with gold and silver bullion at fixed rates of equivalence" (p. 83), the choice between the two devolves upon the government, and that the principle of compensatory action of money demand requires the government itself always to choose the cheaper metal.

The "significant chapters" of monetary history, chosen for analysis and for elucidation of the monetary principles involved, cover the French assignats, the restriction period in England, the United States greenbacks, the German inflationary experience, French and American experience with bimetallism and the silver question in the United States. In every way this is an excellent arrangement. It is useless to try to study monetary history until one has grasped the principles involved, and it is much more effective to select dramatically interesting episodes in such history than it is to try to cover the field as a whole.

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Germany's Foreign Indebtedness. By C. R. S. HARRIS. London, Humphrey Milford, Oxford University Press; New York, Oxford University Press, 1935.—vi, 124 pp. 5s.; $2.00.

Having lost the World War, Germany lost her colonies, a substantial part of her own territory, an appreciable percentage of her productive capacity, her foreign investments and her merchant fleet. In addition, heavy reparation payments in cash and kind were required of her. The result was financial and political disorganization and, following passive resistance to the Ruhr invasion, complete devaluation of the mark. This was accompanied by the disappearance of the rentier class and the destruction of the domestic supply of liquid capital and savings. Stabilization began with the Dawes loan in 1924, and reparation payments were resumed. Other long-term foreign loans followed, principally from the United States. In 1927 and 1928 short-term funds also were placed in Germany in enormous amounts. By the latter part of 1929 foreign capital had become frightened at the mounting total of Germany's foreign debt. The new loan and the moderate scaling down of the reparation annuities provided by the Young Plan in 1930 did not suffice to save the situation.

With the collapse of the New York stock market in the fall of 1929 the world was plunged into depression, and by the end of 1930 no further German loans could be floated in foreign markets. The budgetary situation became increasingly difficult. Sales of German goods and services to foreigners were insufficient to meet payments on goods and service imports and to provide reparation payments. Political unrest was clearly in evidence. By the end of the year short-term capital had begun its flight from the country. From December 31, 1930 to July 1, 1931, the gold and foreign exchange holdings of the Reichsbank were reduced from Rm. 2685 millions to Rm. 1610 millions, and the reserve ratio had fallen to 36 per cent. A committee of foreign bankers meeting in Berlin undertook to save the mark by preventing further withdrawals of foreign funds. Their agreement covered 63 billion marks, or only one half of Germany's short-term indebtedness. To prevent the withdrawal of funds not covered by the "Standstill Agreement", and thus to protect the mark, all manner of exchange restrictions was imposed by the German monetary authorities. A second agreement with the bankers was signed in September 1931 and a third early in 1933, covering somewhat larger proportions of the short-term debt.

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Included in the Standstill Agreements and also in the protective measures adopted with regard to other short-term debt was a provision requiring German debtors, if possible, to meet interest and amortization charges in reichsmarks. These could be used in Germany but were "blocked" so far as withdrawal from Germany was concerned. With foreign creditors pressing to get their funds out of the country, the Reichsbank in time permitted these blocked marks to be used in part payment for German exports, provided such exports would not otherwise have been made. The financial authorities also permitted German exporters to take German bonds in part payment for their goods. These bonds, bought at low levels in foreign countries but still at par in Germany, provided a profit for the German merchant even though his goods were priced below cost. Thus Germany struggled to improve her positon.

In their efforts to protect the mark, the German monetary authorities rationed the exchange allowed to German importers, steadily revising downward the quotas permitted. It therefore happened that importers buying on ninety days' credit, for example, were unable to get sufficient foreign exchange to meet their maturing obligations. Countries normally buying more from Germany than they sold to her, in order to assure the collection of current trade debts and also something on short- and long-term debts in arrears, negotiated trade-clearing arrangements with Germany. Such arrangements, however, only served to bring exports and imports into balance, leaving nothing for payment on old accounts. Finally, following the imposition of further restrictions on the use of foreign exchange, German merchants, in the latter part of 1934, turned to barter agreements as the only way in which they could carry on trade with other countries, these agreements of course making no provision for debt payments.

This, very briefly, is the subject of Dr. Harris' interesting and useful monograph on *Germany's Foreign Indebtedness*. In his concluding chapter he raises two questions: the prospects for resumption of debt service by Germany, and the question of Germany's good faith in dealing with her creditors. To the first of these he gives little direct attention. To the second, his answer is neither a clear-cut "yes" nor "no", as in fact it scarcely could be, except on the basis of a much more extensive analysis of Germany's economic, social and political situation.

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Disraeli, Gladstone and the Eastern Question: A Study in Diplomacy and Party Politics. By R. W. SETON-WATSON. London, Macmillan and Co., Ltd.; New York, The Macmillan Co., 1935.—xvi, 590 pp. $7.00.

"Disraeli as a master of foreign policy belongs to the myths of history." Inversely, Professor Seton-Watson declares that the "whole subsequent history of the Near East" has borne witness to "the prophetic vision of Gladstone." Fortunately, the two chief characters do not dwarf their supporting cast of distinguished statesmen and diplomatists of the seventies. Although the thread of the narrative depicts the interaction of British home and foreign policy during the interminable Balkan crisis of 1875-1878, inaugurated by a summer revolt in Hercegovina and Bosnia, continental participation is also interwoven.

Dr. Seton-Watson looks with decided favor upon the efforts of the Concert of Europe, by a policy of threat, to force unwilling sultans into alleviating the condition of their Christian subjects. The withdrawal of the Berlin Memorandum, the failure of the Constantinople Conference and the resultant Russo-Turkish War were, in the main, due to the "negative and blocking policy" of Disraeli. His attitude toward the Turkish atrocities in Bulgaria and his subsequent deafness to the united voice of Europe demanding "coercion" of the Porte are stated to be convincing proofs of his "utter cynicism and lack of directive." The prime minister was, however, prevented from rushing headlong to the support of tottering Turkey by saner minds within the cabinet and by the demonstrations of the peace party throughout the country. A "strategic retreat", which necessitated appeasing the Jingoes with a crumb of comfort, Cyprus, was "brilliantly achieved" by the dubious means of bluff, secret diplomacy and the sacrifice of moral primacy. Blunders of his opponents at the Congress of Berlin enabled Beaconsfield to conceal how completely he had abandoned his original policy. "Peace with Honour" was then trumpeted as a diplomatic victory before applauding British audiences.

The author's views, interjected freely, are merely those held during the latter seventies by such interlocutors for the victimized Christian nationalities of the Ottoman Empire as the Duke of Argyll, Canon Liddon, E. A. Freeman, J. A. Froude, James Bryce and Dr. Humphrey Sandwith. Dr. Sandwith once gloried in being termed a Russian intriguer in "so sacred a cause as that of the Christians in Turkey." Dr. Seton-Watson, benefiting by the lapse of time, could

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write that Russia was "champion of a cause on whose side the stars in their calm slow courses were also fighting" (p. 189).

Gladstone's utterances and those of his followers are "closely reasoned"; the statements of Turcophils are invariably "grotesque". Sir Henry Elliot was "a blind partisan of the Turks." His successor at Constantinople, Layard, was an "enemy of freedom." The Queen's attitude, it seems, can be regarded as "a mere passing aberration" (p. viii). They are only a few among the many who constantly "sinned against the light."

The highest praise is showered upon Lord Salisbury, "far nearer to Gladstone than to Disraeli" (p. 379), for providing the "synthesis" between the two extremists and thereby extricating Britain from an impossible situation. Count Schuvalov and Lord Derby, "lovers of peace", are generously treated. Gladstone, extolled throughout the volume, is gently chided toward its close for his loss of "due perspective" in condemning the attempt to apply in Asiatic Turkey the very reforms which he had advocated so gallantly in the Balkans (p. 526). Then in conclusion, Dr. Seton-Watson proceeds to strip him completely of his halo by tacitly agreeing with an unknown future historian who is likely to distinguish between "exalted theory and meagre fulfilment"; in a word, who is likely to describe Mr. Gladstone's ministry of the early eighties as "one of the least successful examples of Liberal foreign policy" (p. 550).

Having had full access to the secret correspondence between Schuvalov, Gorchakov and Tsar Alexander, the author is at his best in his presentation of Russian official policy and opinion. He reveals an even closer alliance between Schuvalov and Derby than was suspected by the contemporary critics of the latter and, further, brings to light the former's efforts "to play counter with the Whigs", particularly with Harcourt, Granville and Hartington. The Russian ambassador left Gladstone to Madame Novikov.

Seton-Watson is not remiss in giving the divisions of opinion among Liberal and Conservative leaders, but he passes over the rank and file of both parties. Moreover, journalistic opinion, which mirrored the diverse views held in Britain, is almost entirely neglected. A more careful analysis of the activities of the British public and of British editors would have improved the study.

Nevertheless, despite Dr. Seton-Watson's interpretations, noticeable omissions and occasional errors of fact, the book deserves considerable praise. His thumb-nail sketches, through which he introduces leading characters, are admirably done. His discussion of the

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aftermath of the Congress of Berlin (ch. xi) is excellent. Others may profit by the valuable new material incorporated in the text. In brief, Seton-Watson's volume merits the full attention of scholars making excursions into the 1870's.

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NEW YORK UNIVERSITY

Gustav Stresemann: His Diaries, Letters, and Papers. Volume I. Edited and translated by ERIC SUTTON. New York, The Macmillan Company, 1935.—xxxi, 506 pp. $5.00.

During the years 1932-1934 there appeared in Germany a three-volume collection of Gustav Stresemann's "papers" edited and published by the deceased statesman's secretary, Heinrich Bernhard, under the title *Gustav Stresemann: Vermächtnis.* The papers, in general, comprised a survey of German internal and foreign policies from the beginning of 1923 until the time of Stresemann's death in October 1929. Thanks to the diligence and scholarship of Mr. Eric Sutton, this useful work is now being made available in English, the volume under review being devoted mainly to the events from January 1923 until the end of 1924. The English edition is to be almost as complete as the German, with omission only of certain repetitive materials and of a number of newspaper articles and documents relating to minor phases of German domestic policies.

In a twenty-page preface, Mr. Sutton contributes an interesting biographical sketch of Stresemann—"a typical middle-class German of his age", who "had always held a constitutional monarchy to be the type of government best suited to the German people", and whose neutral attitude and firm belief in the rights of *all* individuals made him suspect to both the Right and the Left. Although bearing a light stamp of hero-worship, the sketch shows great insight and understanding, and is one of the best, brief English summaries of the man's activities and career.

The work of editing, particularly of identifying unfamiliar German figures to whom reference is made, has been excellently done, and the index is in reality a useful glossary of names accompanied by the appropriate page references. The method of the book is to give verbatim Stresemann's written thoughts and opinions (from letters, diaries, speeches, articles, etc.) and to tie them together by means of narrative paragraphs. As a result, the reader is not always able at first glance to tell whether the material under view is a direct quotation or merely a connective comment.

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The specific contents of this first volume are a fragmentary autobiographical sketch, penned a few days before Stresemann became chancellor in 1923—days of disillusionment but not despair; a section devoted to the invasion of the Ruhr; a group of papers dealing with Stresemann's hundred-day chancellorship, which began and ended in hours of blackness; a long discussion of the reparation problem and negotiations in 1923-1924; a glimpse of Stresemann's ideals as revealed in three short items, including a memorial article dedicated to his former friend and political guide, Ernst Bassermann (from 1903 until his death in 1917 the head of the National Liberal Party); and a final section giving Stresemann's views on the German situation after the adoption of the Experts' Plan of 1924, on the relations of Germany and the League, on the substitution of the policies of fulfilment and reconciliation for the "rattling of an empty scabbard", and on the critical situation at home and abroad late in 1924. The book closes with a plea for Allied understanding and the early evacuation of the German Rhineland.

As a source-book on the political life of Germany during the years of Stresemann's power, as a revelation of the inner feelings of a great, liberal patriot, and as a searchlight on the complex problems confronting those statesmen of the world who are imbued with high ideals, this book awaits its peer in a forthcoming second volume.

WALTER CONSUELO LANGSAM

COLUMBIA UNIVERSITY

The Bismarckian Policy of Conciliation with France, 1875-1885. By PEARL BORING MITCHELL. Philadelphia, University of Pennsylvania Press; London, Humphrey Milford, Oxford University Press, 1935.—ix, 238 pp. $2.50.

"Much has been written of the antagonism of Germany and France" from Bismarck's day to this. In many explanations of the coming of the war in 1914, the story of *revanche* has played a prominent rôle. This has taken place despite the writing of several men who have pointed out that there were distinct lulls in the storm of cries for revenge. Sometimes it has been hard for us to believe in the lulls, for we have thought that even though they were said to exist, the French demand for revenge was a dominant feeling all of the time.

In recent years and months, new documentary evidence has appeared. It has been the attempt of the author to go over the ground again—ground more or less clearly marked out already—to see what

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effect the coming of documentary evidence would have on the *revanche* thesis. This is one of the many studies that have begun to emerge from *Die Grosse Politik der Europäischen Kabinette* and *Documents Diplomatiques Français.* The author has attempted one more step beyond the mere retelling of the story of Franco-German relations of the decade at hand: she has tried to give an evaluation of the contemporary materials such as memoirs and letters in the light of the official documentary evidence. Not that documents are always correct and final; but they have been used judiciously as additional evidence of importance.

That a Franco-German entente developed between the years 1875 and 1885 seems to have support. The other period of entente between the two powers in the pre-war years, brought about by a common dislike of British colonial policy—1894-1898ff.—is not included in this study. The author's point regarding the earlier entente is that it was "a reasoned policy of realistic statesmen" initiated by Bismarck for reasons of German security and accepted by French statesmen who sometimes overreached themselves in its development as a measure for gaining national position. The entente was always built upon specific questions and never became general in nature. Although the author is positive on this point, the reader can easily be misled into thinking of it as more important than it was because the growth of the entente is the major theme of the study.

The influence of anti-clericalism in bringing conservative Bismarck and the republicans of France together is clearly handled. Clericalism in France would bring monarchy and probably greater strength and more active demand for revenge; and therefore Bismarck supported republicanism in its campaign against the Church and in its cordial relations with Italy. The possibility of a Franco-Russian entente was present for twenty years before it was formed and exerted a strong influence in Franco-German relations. As common differences with Britain over territorial adjustments in the Balkans appeared at the time of the Congress of Berlin, the French and Germans drew together; and as the French under Ferry turned toward North Africa, Indo-China and West Africa, the German support of French imperial policy became outspoken. But toward the end of Ferry's administration and with the advent of Freycinet, the old distrusts were renewed and Bismarck confessedly reverted to a policy of keeping peace by threats (p. 204). When a French appeal to the Germans for support against the Anglo-Turkish Wolff Convention met with firm refusal, the "entente" was at an end.

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The author's style is clear and straightforward. Her methodology leaves nothing to be desired. The translations are very free, but seem to the reviewer to keep the spirit of the originals, except, perhaps, in one minor instance. By Lord Russell (pp. 18, 19, 28, 121) is meant Lord Odo Russell. Footnote no. 17 on page 157 should refer to volume IV of *Die Grosse Politik.*

As a monograph, the book is satisfactory but not startling. Out of such studies grow fuller, more synthetic, more complete accounts of a period.

W. HENRY COOKE

CLAREMONT COLLEGES

Mussolini's Italy. By HERMAN FINER. New York, Henry Holt and Company, 1935.—564 pp. $3.75.

The reader is at once assured that this is neither an opinionated criticism of the system of Fascism nor a discussion which affords opportunity, too often seized these days, for the play of dialectics over the "corporate" or "totalitarian State". The author states that his volume will deal with the substance rather than with the form of things, and the contract seems to be fulfilled. A perusal of the volume will convince one of the validity of the title. The proprietorship of at least Fascist Italy seems no longer open to question. The high standards set in Dr. Finer's widely heralded and massive treatise, *The Theory and Practice of Modern Government,* are fully maintained in the present work. Throughout the reader will find a constructive purpose given to the study of leading theorists and their teachings; students and teachers who rise above mere academic sterility in the field of theory will welcome the suggestions and illustrations of the informative qualities in these otherwise arid areas of political science.

Thus Nietzsche's *Will to Power* and the writings of Georges Sorel and of the rejuvenated Pareto are placed in the scheme of things as conceived by Mussolini. In this connection Mussolini's attitude toward the great Florentine does not escape notice. Indicative of Dr. Finer's critical judgment is his remark that not one of these writers sustains Mussolini. "Their *complete* works and their lives repudiate him" (p. 39).

The breakdown of "Parliamentarianism" revealed that Italy had never possessed such a system but only miscreation and misunderstanding and mismanagement with failure inevitable. The "super-

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ficial fault", but an apparently somewhat basic one, was the absence of national parties, a situation recalling Calhoun's sad prophecy for America in his speech on the Omnibus bill in 1850.

In a series of five exceedingly important formulae Dr. Finer describes this basic breakdown of the Albertian Constitution. He believes that Mussolini's course—his will to power and his ruthlessness in its realization — alone made Fascism *inevitable*, even as it now continues to make it possible. He denies Fascism was a revolution, "for I define a revolution not merely as any violent overthrow of existing political institutions, but only as such which has for its object the greatest liberty and equality for the greatest number" (p. 161). Fascism has a strong antipathy to this. In Part III Dr. Finer allows Mussolini to explain in his own words his belief that Fascism must formulate a doctrine of the State. In Parts IV and V the author sets forth with great attention to detail the structural outlines of the Fascist government. Of Mussolini's place, he says: "The Duce then is in the centre. He is the hub of two concentric and coöperating cycles of activity: the party institutions on the one hand and such organs as the Cabinet, Parliament and the Corporations and that strange institution, the Grand Council of Fascism, on the other" (p. 248). Of these the most absorbing discussion deals with the Grand Council, of which Gentile wrote: "By means of this organ the will of an extraordinarily gifted man becomes an organic and perennial institution. That which might seem the everyday but contingent creation of any individual becomes the constitutional structure of the nation itself" (p. 276). A study of the nature and functions of this Council, set forth in great clarity and detail, explains Mussolini's description of it as "the organ of synthesis and connection." This organ, related on the one hand to "Party" and on the other to the State, seems to be the adequate fulcrum from which its master, the chief of the government, motivates, directs and controls all else in the system. The most significant of the many powers of the Grand Council is the nomination of proper persons as candidates for the chief of government, if and when there arises a vacancy in that supreme position. Herein, then, lies the succession to the future leadership of Italy. The place of the King in this situation depends on the will and power of the King to overrule the Grand Council. This chance is remote. Following an elaborate analysis, Dr. Finer sums up: "Thus the Grand Council stands in the very centre of the State and the Party. It is linked with the Council of Ministers, with the Chambers, with the Con-

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stitution, with the leaders of the Party and through them, and the fact that they have to follow the general policy laid down by the Grand Council, with all the outlying agents of the Party in all its forms, propagandist, repressive and charitable" (pp. 281-282). Since the Duce controls this complexity of powers, his mastery of Italy is easily comprehensible.

After this survey of the political structure, Dr. Finer returns to a searching analysis of the leader, so far described as an insurrectionist, to discover his qualities as a leader. In this portrayal one seems to meet the half-mountebank and half-prophet of a "new civic religion". Of this characterization, skillfully done with a facile pen, Dr. Finer says: "In thus analysing the sources of Mussolini's dictatorial power I have, perhaps, owing to the inherent nature of analysis, extracted the life and movement from it. All of the qualities are, of course, combined, harmonized and collaborative. What tells is their respective intensity and magnitude, interlocking like a battery. This composes the man's constitution, physical and spiritual; and in this case a man's constitution is the constitution of Italy. His essential flame is a religion at white heat and its instrument abnormal practical ability" (p. 308).

Chapters covering the Party and its economic policy conclude this volume, which, whatever may become of the Duce and his empire of force, will no doubt remain a permanent treatise on government far beyond the day of occasional discussions.

WILLIAM B. GUTHRIE

THE COLLEGE OF THE CITY OF NEW YORK

Ulysses S. Grant: Politician. By WILLIAM B. HESSELTINE. New York, Dodd, Mead & Company, 1935.—xiii, 480 pp. $4.00.

Grant is a folk hero, a "figure of earth", about whom it is difficult to write with justice owing to the passions aroused by the Civil War and Reconstruction, the bias and myths of hero-worshippers, and the slanders of enemies. So gifted a contemporary as Henry Adams did not pretend to understand him completely. Grant seemed to him the man of action, sprung from the soil to power; distrustful of himself and others, shy, jealous, sometimes vindictive; dull in outward appearance, always needing stimulants. Responding to action and conflict as the keenest stimulant, he appeared archaic in his unintellectuality, his brute power; a defiance of the law of evolution. "He had no right to exist. He should have been extinct for ages."

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The problem of Grant's enigmatic character still remains. Professor Hesseltine's solid and scholarly biography, based upon exhaustive research in previously unused manuscript sources, definitely supplants all previous studies of Grant as a man and politician. As a youth Grant suffered from the ridicule of neighbors caused by his father's boasting about him. The boy developed a defense mechanism: withdrawal from strangers, a silent aloofness, a stolid mask of indifference. This inarticulateness prevented many from understanding the inner springs of his life.

In spite of these handicaps Grant survived the four-year ordeal at West Point, saw honorable service in the Mexican War, and then married the sister of his roommate at the Academy. Three years after marriage he was ordered to the Pacific coast. There, after prolonged absence from his wife and children, he overindulged in drink occasionally and was forced to resign by his superior officer, a most unpleasant martinet. Fourteen years of comparative success, to which Professor Hesseltine does not give sufficient emphasis, were now followed by seven years of bitter failure and hardship. The outbreak of the irrepressible conflict between North and South gave Grant the opportunity he needed. He emerged from obscurity as the great military hero of the North: aggressive, persistent, masterful in strategy.

This phase of Grant's varied life is described by the author in two brief chapters that form the prelude to his main theme: Grant's career after Appomattox. He shows how the General was won over by the Radical Republicans, gives a new and vivid account of the noted quarrel with Andrew Johnson, and describes the forces behind Grant's election to the presidency in 1868. Professor Hesseltine then presents a masterly critical study of Grant's ineptitude in facing the crucial problems of a society undergoing revolutionary changes in its economic and political structure.

Grant wanted to be president of all the people. He lacked, however, the vision and knowledge of the statesman on most of the important foreign and domestic issues. He was also a poor judge of candidates for civil office. His military virtues, decisiveness and obstinacy, were political vices. His loyalty to friends made him the dupe of unscrupulous and corrupt politicians. His admiration for the successful business man led him to become the ally of the most reactionary economic interests of his day, an opponent of radical reform measures, and a champion of imperialism, miscalled Manifest Destiny. The result was a tragic era of political corruption, of

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triumphant spoilsmen, of growing discontent among the masses on economic and social matters.

So great was the magic of Grant's name and so weak the memory of the people, however, that he came dangerously close to winning the Republican presidential nomination in 1880. When he died in 1885, after a heroic struggle for a year against illness and loss of his fortune, the nation was only too glad to honor his memory and to pass over his weaknesses.

Professor Hesseltine's valuable biography is open to a few criticisms. The influence of Grant's childhood problems, for example, and the effect of his success at West Point and in the Mexican War upon his later development are not given due weight. The sections on the gold conspiracy and the greenbacks, though sound, would have gained by citations from Henry Adams's *Education* and *Historical Essays* and Don C. Barrett's *Greenbacks*. The author should have developed more clearly the social and economic consequences of Grant's Reconstruction policy. He errs in saying (p. 195) that Grant did not pack the Supreme Court in 1870 (see the POLITICAL SCIENCE QUARTERLY, September 1935, pp. 343-358).

Bertrand Russell in his *Sceptical Essays* alludes to Grant as a prime example of the harm that good men (in the conventional sense) do: they never suspect their friends of shady actions and are never suspected by the public of using their reputations for goodness to screen villains. Of the forty-seven biographies of Grant published thus far, this volume best documents Russell's point.

SIDNEY RATNER

NEW YORK CITY

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BOOK NOTES

There is no economist of our generation whose scientific work is so uniformly distinguished as that of Henry Higgs. He has established Cantillon in just place in economic literature; he has made clear the course of the physiocratic movement; he has supplied a new and serviceable "Palgrave"; he has become historian of the Political Economy Club. Meticulous as investigator, faithful as editor, graceful as writer, for two score years he has held honored rank. The latest evidence of his scientific devotion — may it prove far from a final service!—is as editor of "a chronologically arranged comprehensive bibliography of writings of economic interest", *Bibliography of Economics, 1751-1775* (New York, The Macmillan Co.; Cambridge, at the University Press, 1935; xxii, 742 pp. $11.00). It is sponsored by the British Academy and supported by a notable committee of English economists, but the responsibility of arrangement and presentation has rested upon Higgs, and his name appears upon the title page. The project envisages the whole span of economic writing; the present volume is devoted to the all-important "middle period"—1751-1775. A bibliography—certainly a serious one—does not lend itself easily to criticism. It is to be estimated in entirety, rather than to be nicked as to particulars. To have assembled, in orderly arrangement, with adequate detail 6741 titles is a *tour de force*. Not every source may have been explored, here and there an omission yawns, occasionally Zeus has nodded. But the volume is a tremendous addition to the library apparatus of our science for which students of doctrinal history will be grateful. To his prime editorial labor Higgs has added an illuminating Introduction of a dozen pages. W. R. Scott, the chairman of the supervising committee, contributes a General Preface, and H. S. Foxwell is recurrently—and delightfully—present in lively annotation. — JACOB H. HOLLANDER, The Johns Hopkins University.

The French colonial governor, André Touzet, in his study of federal finances, *Fédéralisme Financier et Finances Indochinoises* (Paris, Librarie du Recueil Sirey, 1935; xiv, 189 pp. 25 fr.), offers a general theory of the problem and an analysis of a particular jurisdiction. The various systems are classified first according to the distribution of fiscal powers between national governments and po-

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litical subdivisions. Our own national, state and local fiscal relationships and those of Australia, pre-Hitler Germany and Switzerland are briefly reviewed as forming one group in which specific and limited powers have been conferred on the national unit. Another group includes those governments in which all units operate with stated and limited powers. The systems of Canada, British India and the Union of South Africa constitute each a distinct type. A second classification is made in terms of the schemes for coördinating or integrating the multiple fiscal systems of a country. The work of Adarkar, Haig, Heer, Martin, Newcomer and Seligman, mentioning only that which has appeared in English, has already covered these methods thoroughly. In general the broad theoretical principles are of limited usefulness since normative conclusions must be made in terms of variable fiscal, political, economic, social and geographic factors. A second part of the volume deals with the finances of French Indo-China. When the colony was formed out of the component states of Annam, Cambodia, Cochin-China, Lao and Tonkin, the weak central government and the poor transportation and communication facilities necessitated leaving the bulk of the fiscal activities in the hands of the states and municipalities. Since then a loose and unstable legal structure has allowed successive governors to modify the system with considerable frequency. At present the author finds a wasteful and poorly adopted arrangement featuring separated revenue sources and national subventions. The fiscal systems and the quality of the French colonial administration appear to be sadly in need of reform.—J. WILNER SUNDELSON, New York City.

A volume entitled *The Soviet Union and World-Problems,* edited by Samuel N. Harper (Chicago, The University of Chicago Press, 1935; xviii, 254 pp. $2.50), contains five lectures delivered at the Eleventh Institute on the Norman Wait Harris Memorial Foundation, held at the University of Chicago in June 1935. It opens with statements by Alexander A. Troyanovsky, the first Soviet Ambassador to Washington, on the basic principles of Soviet foreign policy, and by Ivan V. Boyeff, head of the Amtorg Trading Corporation, on state monopoly of foreign trade in the U. S. S. R. Both the political and the trade representatives of the Soviet government took active part with American students of Soviet policy in the numerous round-table conferences held at the Institute. Their lectures and discussions emphasized the coördination of Soviet foreign and trade policy. Professor Samuel N. Harper, who conducted

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the work of the Institute, has wisely included in the volume a statement by A. Neymann, first secretary of the Soviet Embassy at Washington, on the administration of Soviet foreign policy. The lecture by Malbone W. Graham, professor of political science at the University of California, is an excellent and well-documented summary of the peace policy of the Soviet Union. V. Romm, the special correspondent of the Moscow *Izvestia* in Washington, shows in his contribution the important geographic changes in the industrial development of the U. S. S. R. These changes reflect a planned attempt at a more even and efficient utilization of the natural resources in the East, which had been neglected by the czarist government. An able analysis of the nationality policy of the Soviet Union, by Professor Hans Kohn of Smith College, throws light on the concessions to the principles of nationalism which Lenin made in order to prevent the complete disintegration of the multi-national Russian Empire. The manner in which the Soviet government dealt with the problem of nationalism, after the revolution had put an end to the suppression of national minorities, deserves the careful attention of every student of political science. Numerous documents, charts, maps and diagrams conclude this valuable volume, which seems indispensable for all interested in the complex life of Soviet Russia.—BORIS SCHOENFELDT, Columbia University.

The book *Soviet Union, 1935* (New York, International Publishers, 1936; xii, 440 pp. $1.25) is called a symposium but is actually a set of reprints of official addresses and reports of Soviet statesmen. Several of these were delivered at the Seventh Congress of Soviets of the U. S. S. R. The absence of parties and of legal opposition in the Soviet Union produces an impression of unity as to aims and methods. In contrast to fascism, bolshevism does not deny the principles of democracy and parliamentarism; the Soviet theorists and statesmen assert that modern capitalistic countries represent only formal democracy, whereas the proletarian dictatorship in the Soviet Union is leading to true democracy. Democracy, in this view, follows after the elimination of landlords, factory owners, tradesmen and kulaks. Today these classes, according to official figures, constitute only one-tenth of one per cent of the total population of the U. S. S. R. Hence, "having heard the report of comrade V. M. Molotov (Chairman of People's Commissars) on the decision of the February (1935) Plenum of the Central Committee of the Communist Party of the Soviet Union", the Seventh Congress of Soviets resolved to amend the Soviet Constitution in the direction of "replac-

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ing unequal suffrage by equal suffrage, indirect elections by direct elections, and open ballot by secret ballot." The book describes the continuous growth of various industries and also the increasing production of food, on which the abolition of the system of rationing was based. Yet Stalin's recent emphasis on human efficiency has raised problems which remain unsolved. The so-called Stakhanov movement is as yet confined to scattered individuals and groups. Two other features of Soviet life as reflected in the book deserve special mention. One is the cultivation of "Soviet patriotism" (as distinct from "bourgeois patriotism"), which is significant in view of the emphasis laid by Molotov, in his report to the Union Congress, on the danger of war. The second is the growing glorification of the personality of Stalin. It is up to clever dialectians to show the consistency of this hero-worship with the Marxian conception of the rôle of individuals in history.—BORIS SCHOENFELDT, Columbia University.

The Third International after Lenin (translated by John G. Wright, with an introduction by Max Schachtman. New York, Pioneer Publishers, 1936; li, 357 pp. $3.00) is the English translation of two detailed criticisms of the foreign policy of the Soviet Union and the Comintern, written by Leon Trotsky in 1928. The volume was never published in Russia, but a French translation was brought out in 1930. Although written eight years ago, Trotsky's effective and virulent denunciation of the Stalin bureaucracy has lost nothing of its timeliness and interest. It deals, indeed, with the fundamental problem of Soviet domestic and foreign policies—that of "socialism in a single country"—the understanding of which is essential in order to follow the course of Russian events in the last decade. Mr. Schachtman's introduction is a useful summary of the vacillating and contradictory policies of the Comintern since 1928. The volume throws much light upon derisive methods of Marxian theologians and cannot be ignored by students of recent communist trends.—MICHAEL T. FLORINSKY, Columbia University.

The nucleus of Dr. Taraknath Das's *Foreign Policy in the Far East* (New York and Toronto, Longmans, Green and Co., 1936; xv, 272 pp. $2.00) is a series of lectures delivered in the spring of 1935 at the Catholic University of America. It presents a clear and forceful account of Western and Japanese imperialism in Asia during the nineteenth and the present centuries. Based for the most part on standard accounts, the author offers but little that is new. His point of view, however, as an Indian nationalist, favoring

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"Asian independence and cooperation between the peoples of the East and the West", lends significance and interest to his account. He has judiciously analyzed the policies of the various powers in eastern and southern Asia, deftly disclosing their fundamental springs of action. An anti-British bias is frequently apparent, and he warns Americans against the wiles of British diplomacy which would seek to use our strength to uphold the British Empire in the face of rising Japan. He recounts with marked restraint Japan's continental policies and points out the fallacy and futility of America's attempting to thwart that country in an effort to uphold a largely mythical open door policy. The future of American policy, he feels, lies in coöperation with Japan and not with Great Britain against Japan, as British imperialists "will be pleased to see American-Japanese complications grow . . ." (p. 205). It is a well-known fact that Japan's defeat of Russia gave a marked stimulus to nationalist movements in Asia. Japan's recent expansion now threatens the supremacy of the British Empire in Asia, a development which must give Indian nationalists renewed hope unless America should draw closer to Great Britain in a Pacific policy designed to thwart Japan and thereby indirectly strengthen British imperialism. Dr. Das admonishes Americans to ponder carefully the implications of an Anglo-American Asiatic policy that might lead to a conflict with Japan which would not necessarily guarantee the integrity of China and the open door, even if America should be "victorious", but would most certainly give Great Britain's Asiatic Empire a new lease of life.—CYRUS H. PEAKE, Columbia University.

As this review of *International Organization in European Air Transport*, by Lawrence C. Tombs (New York, Columbia University Press, 1936; xx, 219 pp. $3.00) is written, Colonel Lindbergh, in Germany has just called attention to the responsibility of aviation for vital changes in warfare and national defense. This, in general, is the problem with which Mr. Tombs deals. He begins with the statement that "national military considerations have so decisively influenced the development and control of air navigation in all its branches"; and he ends with the assertion "that an adequate measure of international organization with respect to both civil and military aviation will be reached only when governments are prepared to take the necessary political decisions." The international law of the air began with the Peace Conference, somewhat hampered by the conviction of the Allies that military aviation must be controlled by

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themselves. It was not until 1926 that an agreement was reached with Germany concerning international air transport; and since that time the whole matter has been inextricably tangled with disarmament. The airship is so dangerous a war instrument that it is desirable to curtail its activities; but civil aviation cannot be distinguished from military aviation, so all must be put under international control. This, however, like other questions of disarmament, cannot be done until security is provided. Hence the French proposal at the Disarmament Conference to internationalize aviation, but only on condition that there be an international air police force. The difficulties in the path of international aviation are thus obvious. Flight, says Mr. Tombs, is international by nature, and he appears hopeful that aviation will ultimately be put under international supervision. The bulk of this little book, however, is devoted to the development of the law, both public and private, and of the organizations which deal with air transport. This development has been rapid and surprising in amount; and the connections with other international bodies, e. g., the Health Office, are numerous. It is a compact and useful book, which not only summarizes the incredible growth of aviation in the last fifteen years, but also offers an impressive example of the forces of interdependence which are so rapidly producing international government.—CLYDE EAGLETON, New York University.

Dr. Hans Rosenberg's *Die nationalpolitische Publizistik Deutschlands* (2 vols. Munich, R. Oldenbourg, 1935; xxiv, iv, 999 pp. RM. 25. Veröffentlichungen der Historischen Reichskommission) is a very important addition to the literature on nineteenth-century Germany. Dr. Rosenberg, a product of the school of Friedrich Meinecke, has searched through over eighty library and archive collections to bring together for the first time a composite picture of German publicist writings (including émigré publications) during the period between 1858 and 1866. The writings deal with all the important domestic and foreign problems agitating German politics during that period. The author modestly calls his work a critical bibliography, but it is far more than that. Under the title of each item is found a clear and concise statement of the content of the work, the summaries ranging from a few lines to several pages. There is, in addition, a comprehensive treatment of the various newspapers and periodicals appearing during this time. The titles are arranged according to subject matter but under each heading according to date of publication. Additional helps to the student are provided by indications in the case of each title as to where the item in question may be found

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and also by references to more recent scientific studies or monographs which have a bearing on the work cited. There is an elaborate system of cross references and a good index of periodicals and names. These two volumes should be indispensable for the study of the backgrounds of German unification as well as for the history of German public opinion, political parties and social and political theories.—KOPPEL S. PINSON, New York City.

In an interesting study entitled *Die deutsch-amerikanischen Beziehungen 1890-1914* (Stuttgart, W. Kohlhammer, 1935; 242 pp. 12.—) Dr. Ilse Kunz-Lack presents a clear picture of what she regards as the Anglo-American-German diplomatic triangle that came into being in the quarter-century preceding the outbreak of the World War. German-American relations during this period were conditioned, she believes, by the contemporary Anglo-American and Anglo-German politics. "The cable from Berlin to Washington stretched via London figuratively as well as actually." The Atlantic Ocean served as a bond between the two Anglo-Saxon powers, while Great Britain, particularly after Anglo-German relations took a turn for the worse, appeared like a wedge between Germany and the United States. Much emphasis is placed upon British understanding of American psychology and upon the presumed ability of the British press directly and indirectly to arouse a spirit of anti-Germanism in the United States. In the opinion of Dr. Kunz-Lack, moreover, such leading American diplomats as John Hay and Henry White were definitely anti-German in outlook and sympathies. The main contributions of the work would seem to be, first, the drawing together of the specifically German-American aspects of such international pre-war questions as colonial rivalry in the Pacific, commercial rivalry in Latin America, coöperation and conflict in China, naval rivalry and the prospects of armament limitation, and, secondly, the checking of such standard American accounts as those of Treat, Nevins, Dennett and Thayer against document collections of the type of *Die Grosse Politik*. On a number of occasions the author differs with the interpretations given in the American accounts, and generally her views are well supported by the evidence cited.—WALTER CONSUELO LANGSAM, Columbia University.

Although dominated by a spirit of hero-worship and characterized by a love of the dramatic, Dr. Anton Loessner's *Josef Pilsudski: Eine Lebensbeschreibung auf Grund seiner eigenen Schriften* (Leipzig, S. Hirzel, 1935; viii, 202 pp. RM. 6.50) is a decidedly useful addition to the rapidly growing biographical literature on Poland's

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late dictator. The method of the volume is to tie together in narrative, chronological form, extensive quotations from Pilsudski's numerous writings. Chief emphasis is placed upon the marshal's military career and upon the creation of the Polish army—"at the moment one of the best in Europe." The bulk of the quoted material was chosen and translated from the eight-volume collection of the marshal's writings published at Warsaw in 1930 under the title of *Pisma, Mowy, Rozkazy* (*Writings, Speeches, Orders*). The supplementary sources are mainly several biographies in Polish and the Polish press. Individuals referred to in the text or the quotations are well identified by Dr. Loessner's descriptive footnotes, and the bibliography, while almost entirely Polish, is convenient. It seems worthy of especial notice that the central theme, which runs through the second half of the volume (dealing with the period of independent Poland), is the constant and bitter struggle for supremacy between certain high army officers who had received their training under the old Dual Monarchy, on the one hand, and Pilsudski's Legionaires, on the other. Where so definite an attempt is made to demonstrate "the greatness of the marshal and the greatness of his work", it is perhaps only natural that some of Pilsudski's most vigorous interviews and attacks on the Polish Parliament should not have been included. Nevertheless, non-Polish-reading students may well be grateful for the translation into German of so considerable an amount of source material on the life and character of one of the most colorful figures of twentieth-century Europe.—WALTER CONSUELO LANGSAM, Columbia University.

Already author of a study of nationalism as revealed in the general *cahiers* of 1789 and of an inventory of existing manuscript and printed copies of the general and the preliminary *cahiers,* Dr. Beatrice Hyslop has placed all intensive students of French Revolutionary politics deeply in her debt by making available to them in her newest book, *A Guide to the General Cahiers of 1789: With the Texts of Unedited Cahiers* (New York, Columbia University Press, 1936; xvi, 474 pp. $5.00), the fruits of her complete evaluation and survey of the general *cahiers.* For many years others have made partial studies of these lists of grievances prepared by the French people on the eve of the Revolution, but they have used them indiscriminatingly. Dr. Hyslop will guide students in using them critically. She points out the essential distinctions in character and value between the general and the preliminary *cahiers,* and does not overrate the worth of the former. She has determined the validity of texts and

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prints corrections, from authenticated sources, of distortions and errors in the printings in the *Archives parlementaires* volumes and the Jaurès series of *Documents inédits sur l'histoire économique*. She has discovered in manuscript and has printed general *cahiers* previously unavailable. Although the preliminary *cahiers* often contain matters of interest and give evidence of opinions which were rejected or overlooked by the higher assemblies which framed the general *cahiers*, the latter, 523 of which (out of a total of 615) are now readily available, offer us a surer quantitative analysis of organized opinion than do the preliminary *cahiers*, the exact number of which "baffles the statistician". Even if one is not making an exhaustive study of French thought of the time and thus absolutely requiring this gauge of accuracy, Dr. Hyslop's volume is not to be overlooked. Her first sixty-five pages contain a careful, measured summary of what *cahiers* were, of how they were prepared, of their validity, of the differences between them, of influences which bore upon their separate contents, and of their connection with other literature of the period. No one can afford to neglect her conclusions. Her judgment on the comparative reliability of different texts is thoroughly dependable. And she is too sound a scholar to be carried away by enthusiasm. She even classifies as to be "used only with great caution" a manuscript discovery of her own, printed in the appendix with other discoveries, the hitherto unknown *cahier* of the clergy of the Senechaussee of Draguignan. The excellent maps with which the volume is provided make it possible to visualize the statistical summaries.—ELBRIDGE COLBY, University of Vermont.

Few biographies of noted public figures throw as much light on important phases of history as Dr. Carl Brent Swisher's *Roger B. Taney* (New York, The Macmillan Company, 1935; x, 608 pp. $5.00). The author portrays Taney's long and dramatic political career against the background of national and sectional politics. Taney, as a member of the Southern planter aristocracy, began his career as a Federalist, but owing to his party's opposition to the War of 1812 and its defense of the mercantile and shipping interests, left the Federalist fold and became an active supporter of Andrew Jackson. As attorney-general of Maryland he achieved a high reputation, but would not have entered national affairs if it had not been for the crisis in Jackson's cabinet over the social standing of Mrs. Eaton. As attorney-general and then as secretary of the treasury, he served Jackson well in the war against the Bank of the United States. Dr. Swisher proves that Taney was far from being the "pliant instru-

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ment" of Andrew Jackson that such leading historians as Bassett, Channing and McMaster have represented him as being, and that he had a clear perception of the dangers to democracy arising from high finance. The chapters dealing with the Jacksonian period are a decided contribution to a much misunderstood struggle. Those concerned with Taney's reign as chief justice for some twenty-eight years are extremely interesting for the insight they give into the nature of the judicial process, although they do not develop the philosophical implications of Taney's decisions as profoundly as Boudin's *Government by Judiciary* and Corwin's *Twilight of the Supreme Court*. It is unfortunate that Dr. Swisher does not study in detail the issues involved in the Genesee Chief, Luther *v.* Borden, and Penn *v.* Wheeling Bridge Co. Cases. He shows clearly, however, how Taney counteracted Marshall's championship of laissez-faire capitalism by defending the constitutionality of state laws needed by local communities, but opposed by conservative interest, and by protecting human rights as against property rights. Taney's great opinion in the Charles River Bridge Case was considered revolutionary by Judges Kent and Story, but it strengthened the economic order by preventing the growth of monopolies and making peaceful progress possible. His definition of the police power in the License Cases as "the power of sovereignty, the power to govern men and things", if it had been adhered to, would have constituted an effective check on the later abuse by the Court of the due process clauses in the Fifth and Fourteenth Amendments. If it had not been for the Dred Scott decision, he might have been considered the greatest of the chief justices. Taney equaled Marshall in general ability and excelled him as a lawyer and as an enlightened statesman, except on the one fatal issue of slavery. It is the irony of history that the man who advised Jackson to attack the doctrine of judicial supremacy, and as chief justice undid much of Marshall's work, should have been the first to put into practical effect the theoretical right claimed by Marshall for the judiciary of vetoing acts of Congress. The Dred Scott decision has been denounced as a crime, but, if so, it was the crime of a system that continues to this day and that most of Taney's critics still accept. Dr. Swisher gives the full story of how Judge McLean's political activities induced Taney to make his epoch-making decision in an effort to protect the Southern civilization he loved from the attacks of the North. He failed in this and other attempts to stay the course of the anti-slavery group. Lincoln scorned his decisions as Jackson had Marshall's. No other biography of Taney so far

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published can compare with Dr. Swisher's in scholarship, objectivity and interest. It furnishes the basis for a critical revaluation of a great judge and the philosophy he stood for.—SIDNEY RATNER, New York City.

In the history of Canada, as in that of the United States, the epoch of the American Revolution was a formative period, and it is as such that Professor George M. Wrong treats it in his *Canada and the American Revolution* (New York, The Macmillan Company, 1935; xii, 497 pp. $5.00), which is a continuation of his two volumes on the history of New France, published in 1928. The American military invasions of Canada are viewed as critical in that their failure involved "the momentous outcome that North America was not to be one vast republic". Critical also for the future history of Canada were the peace negotiations at the close of the war. Franklin's bland suggestions that England would be well advised to cede to the United States the province of Quebec, Nova Scotia and Bermuda, besides paying damages and indemnifying the loyalists for their losses, are referred to, as is the extraordinarily compliant attitude of Richard Oswald, the British peace commissioner. Doubtless the British government had no serious intention of ceding all of Canada, but there was, as Professor Wrong says, uncertainty about the frontier, and a boundary line might have been fixed that would have put the whole of Lakes Ontario, Erie and Huron within the United States. How the boundary came to be run as it was, we are not told. Five chapters, probably the most informing in the book for American readers, are devoted to the loyalists, most of whom took refuge in what is now the Dominion of Canada. Those who are tolerably familiar with recent literature on the American Revolution will not find much that is new in this book, and they will sometimes be surprised by the author's omissions, but he has written a readable narrative, and his bibliography, arranged by chapters, though it seems to have little organic relation to the text, points the way to further study.—R. L. SCHUYLER.

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